THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Macau Prime Properties Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

澳門祥泰地產集團有限公司*

MACAU PRIME PROPERTIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

VERY SUBSTANTIAL DISPOSAL

Financial adviser to Macau Prime Properties Holdings Limited

SOMERLEY LIMITED

A notice convening the special general meeting of Macau Prime Properties Holdings Limited to be held at Conference Room, 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Wednesday, 25th July, 2007 at 11:00 a.m. is set out on pages 140 to 141 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of Macau Prime Properties Holdings Limited in Hong Kong, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

* *For identification purpose only*

9th July, 2007

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"2005 August Note"	the zero coupon convertible notes due 2010 in the aggregate principal amount of HK$1,000 million issued by the Company on 11th August, 2005, of which an aggregate principal amount of HK$503,050,000 remained outstanding as at the Latest Practicable Date
"2006 June Note"	the 1% convertible notes due 2011 in the aggregate principal amount of HK$1,000 million issued by the Company on 15th June, 2006, of which an aggregate principal amount of HK$980,000,000 remained outstanding as at the Latest Practicable Date
"Agreement"	the conditional sale and purchase agreement dated 27th February, 2007 as supplemented by a supplemental agreement dated 26th June, 2007 entered into between MPBVI as vendor and the Purchaser as purchaser in relation to the Disposal
"Board"	the board of Directors
"Business Day(s)"	a day (other than Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"Company"	Macau Prime Properties Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Disposal
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	HK$110 million, being the consideration for the Disposal

"Deed"	the deed of assignment and subordination to be executed by the Purchaser in favour of MPBVI whereby all loans advanced or to be advanced by the Purchaser to TFH will be assigned and subordinated to MPBVI as security for the repayment of the Note
"Director(s)"	director(s) of the Company
"Disposal"	the proposed disposal of the Sale Shares and the Sale Debt by MPBVI to the Purchaser in accordance with the terms and conditions of the Agreement and the performance of the transactions contemplated under the Agreement
"Disposed Business"	the existing business carrying out by the TFH Group, i.e. the manufacturing and trading of medicine and health products
"Group"	the Company and its subsidiaries before Completion
"HKFRS"	the Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	5th July, 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Maturity Date"	the date falling six months after the date of the Note
"Mortgage Agreement"	the mortgage agreement to be executed by the Purchaser as chargor in favour of MPBVI as chargee whereby the entire issued share capital of TFH will be mortgaged by way of first fixed charge to MPBVI as security for the repayment of the Note
"MPBVI"	Macau Prime (B.V.I.) Limited (formerly known as Cheung Tai Hong (B.V.I.) Limited), a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company

"Note"	the loan note in the principal amount of HK$90 million to be issued by the Purchaser in favour of MPBVI upon Completion in partial settlement of the Consideration
"PRC"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this circular
"Purchaser"	Master Journal Limited, an investment holding company incorporated in BVI with limited liability
"Remaining Group"	the Company and its subsidiaries immediately after Completion
"Sale Debt"	the entire amount of the interest-free shareholder's loan owing from TFH to MPBVI as at Completion
"Sale Shares"	10,000 ordinary shares of US$1.00 each, representing the entire issued share capital of TFH
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, to approve the Disposal
"Share(s)"	ordinary share(s) of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TFH"	Tung Fong Hung Investment Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of the Company as at the date of the Agreement
"TFH Group"	TFH and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"US$"	United States dollars, the lawful currency of the United States of America
"m^2"	square metre
"%"	per cent.

In this circular, US$ are converted into HK$ on the basis of US$1 = HK$7.8 for illustrative purpose.

澳門祥泰地產集團有限公司*
MACAU PRIME PROPERTIES HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 199)

Executive Directors:
Mr. Cheung Hon Kit *(Chairman)*
Mr. Chan Fut Yan *(Managing Director)*
Mr. Wong Kam Cheong, Stanley *(Deputy Managing Director)*
Mr. Cheung Chi Kit
Mr. Lai Tsan Tung, David
Mr. Ma Chi Kong, Karl

Non-executive Directors:
Mr. Ho Hau Chong, Norman *(Deputy Chairman)*
Mr. Lo Lin Shing, Simon

Independent non-executive Directors:
Mr. Wong Chi Keung, Alvin
Mr. Kwok Ka Lap, Alva
Mr. Chui Sai Cheong

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
29/F., Paul Y. Centre
51 Hung To Road
Kwun Tong
Kowloon
Hong Kong

9th July, 2007

To the Shareholders, and for information only, holders of convertible notes of the Company,

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL

INTRODUCTION

On 27th February, 2007 and 26th June, 2007, MPBVI, a wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser whereby MPBVI conditionally agreed to sell and assign, and the Purchaser conditionally agreed to purchase and accept the assignment of, the Sale Shares and the Sale Debt at the Consideration of HK$110 million, which would be settled by the Purchaser as to HK$20 million in cash and the remaining HK$90 million by way of issue of the Note.

The purpose of this circular is to provide you with, among other things, further information on the Disposal, financial information in relation to the Group and the Remaining Group, the notice of the SGM and other information as required under the Listing Rules.

* *For identification purpose only*

THE AGREEMENT

Date: 27th February, 2007

Parties:

Vendor: MPBVI, a wholly-owned subsidiary of the Company and an investment holding company.

Purchaser: Master Journal Limited, an investment holding company incorporated in BVI with limited liability. Save for being a party to the Agreement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are independent of the Company and its connected persons and are not connected persons of the Company.

On 26th June, 2007, MPBVI and the Purchaser entered into a supplemental agreement to extend the date for the fulfilment of the conditions precedent set out in the Agreement to on or before 31st July, 2007.

Assets to be disposed of:

1. The Sale Shares, being the entire issued share capital of TFH. The consolidated net assets of the TFH Group attributable to the Group was approximately HK$29.8 million as at 31st March, 2007; and

2. The Sale Debt, being the entire amount of the interest-free shareholder's loan owing from TFH to MPBVI as at Completion. As at the Latest Practicable Date, the face value thereof was approximately HK$99.7 million.

Consideration

Pursuant to the Agreement, the Consideration of HK$110 million shall be paid by the Purchaser to MPBVI in the following manner:

– a deposit of HK$5 million has been paid, which will be applied as part payment of the Consideration upon Completion;

– a sum of HK$15 million to be paid in cash upon Completion; and

– the remaining balance of HK$90 million to be paid by way of issuing the Note upon Completion.

The Consideration was determined between MPBVI and the Purchaser after arm's length negotiations having taken into account the business potential and future prospects of the TFH Group and with reference to, among others, the consolidated net assets of the TFH Group attributable to the Group of approximately HK$25.9 million as at 31st March, 2006 and the face value of the Sale Debt of approximately HK$99.7 million immediately prior to the entering into of the Agreement. The Consideration of HK$110 million represents a discount of approximately HK$15.6 million to, or 12% of, the carrying value of the Sale Shares and the Sale Debt.

The profit margin of the TFH Group has been at the low side. For the two years ended 31st March, 2006 and 2007, the TFH Group recorded a loss of approximately HK$12.0 million and a profit of approximately HK$3.5 million respectively. The Directors consider that a significant amount of capital and human resources may be required to improve the operation of the TFH Group. Given the Group's principal businesses are property investment and development, it would be in the interest of the Group to dispose of the TFH Group and to relocate its resources used in managing and operating the TFH Group to its principal businesses. On this basis, the Directors consider the discount for the Sale Shares and the Sale Debt is reasonable.

Principal terms of the Note

Principal amount:	HK$90 million
Interest:	5% per annum payable on the Maturity Date and shall accrue from day to day (inclusive of the date of issue of the Note and the Maturity Date) and shall be calculated on the basis of the actual number of days elapsed in a year of 365 days.
Maturity:	The principal and interest accrued thereon are repayable in cash on the date falling six months after the date of the Note, i.e. the date of Completion.
Security:	Upon the issuance of the Note, the Purchaser shall deliver to MPBVI: (i) the Mortgage Agreement duly executed by the Purchaser in favour of MPBVI; and (ii) the Deed duly executed by the Purchaser and TFH in favour of MPBVI, as security for the repayment of the Note.

Conditions precedent

Completion shall be conditional upon:

(a) the passing of an ordinary resolution by the Shareholders (other than those who are required to abstain from voting under the Listing Rules) at the SGM approving the entering into of the Agreement by MPBVI and the performance of the transactions contemplated thereunder;

(b) the Purchaser notifying MPBVI in writing that it is reasonably satisfied with the due diligence review on the operational, financial and legal aspects of the TFH Group; and

(c) the warranties given by MPBVI as contained in the Agreement remaining true and accurate in all material respects and not misleading in any material respect.

The Purchaser may in its absolute discretion at any time waive the above conditions precedent, other than item (a) above, by notice in writing to MPBVI, and such waiver may be subject to such terms and conditions as determined by the Purchaser.

If any of the conditions precedent above has not been fulfilled (or waived by the Purchaser in respect of items (b) and (c) above) on or before 31st July, 2007, either party to the Agreement shall be entitled to rescind the Agreement by giving written notice to the other and MPBVI shall refund the deposit of HK$5 million (without interest) to the Purchaser whereupon the provisions of the Agreement shall from such date have no further force and effect and no parties to the Agreement shall have any liability under them (without prejudice to the rights of the parties thereto in respect of any antecedent breaches).

As at the Latest Practicable Date, none of the above conditions had been fulfilled.

Completion

Completion shall take place at or before 5:00 p.m. on the third Business Day after the fulfilment or waiver (as applicable) of the conditions precedent to the Agreement or such other date as the parties to the Agreement may agree in writing.

INFORMATION ON THE TFH GROUP

TFH, a wholly-owned subsidiary of the Company, is an investment holding company, and the TFH Group is principally engaged in the business of manufacturing and sale of "Tung Fong Hung" branded Chinese pharmaceutical and health products, production and distribution of western pharmaceutical products.

Upon Completion, TFH will cease to be a subsidiary of the Company and the Remaining Group will not engage in the Disposed Business.

Set out below is the audited consolidated financial information on the TFH Group for each of the two years ended 31st March, 2006 and 2007 attributable to the Group prepared in accordance with the HKFRS:

	Year ended 31st March,	
	2007	**2006**
	HK$'million	*HK$'million*
Turnover	400.6	324.8
Profit/(loss) before taxation	3.2	(9.5)
Profit/(loss) after taxation and minority interest	3.5	(12.0)

	As at 31st March,	
	2007	**2006**
	HK$'million	*HK$'million*
Total assets	252.3	212.9
Net assets (after minority interest)	29.8	24.4

REASONS FOR THE DISPOSAL

The Group is principally engaged in property development and investment in Macau, the PRC and Hong Kong. The Group is also engaged in golf resort and hotel operations, securities investment, loan financing, trading of motorcycles and the Disposed Business.

As stated in the annual reports of the Company for the years 2005-2006 and 2006-2007, the Group has been actively exploring business opportunities with primary focus on property development and investment opportunities in Macau and surrounding area. In February and March 2006, the Group entered into agreements to acquire certain property interests in Macau and the PRC. Subsequent to the completion of the aforesaid acquisitions in June 2006, the Group entered into further agreements to acquire additional property interests in Macau and the PRC in October and November 2006 and January 2007 respectively. Currently, the Group's investment in property business has significantly outweighed its investment in the Disposed Business.

Given the intense competition encountered by the TFH Group, increasing marketing and selling expenses (including but not limited to advertisement and running costs of retails outlets) are required to attract customers. Technological advancement also leads to continuing investment for innovative products. In view of the above, the Board considers it an opportune time to dispose of the Disposed Business despite the Disposal is estimated to result in a loss of approximately HK$17.1 million with reference to the carrying value of the Disposed Business as at 31st March, 2007. The exact amount of the profit or loss on the Disposal is to be determined with reference to the carrying value of the Disposed Business to be set out in the completion accounts of the TFH Group.

After Completion, the Remaining Group will concentrate on property development and investment, golf resort and hotel operations, securities investment, loan financing, and trading of motorcycles. The Remaining Group will keep actively exploring business opportunities with primary focus on property development and investment in Macau and the PRC. The Board considers that the Disposal represents a good opportunity to align the business focus of the Group so that resources of the Remaining Group can be managed and utilised in a more efficient and effective manner with an aim to uplifting the return to the Shareholders.

In light of the above, the Directors consider that the terms of the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

The unaudited pro forma financial information on the Remaining Group is set out in Appendix II to this circular.

Earnings

Upon Completion, the Remaining Group will cease to own the TFH Group and engage in the Disposed Business but MPBVI will remain a wholly-owned subsidiary of the Company. For the two years ended 31st March, 2006 and 2007, the Remaining Group's segmental results in the manufacture and trading of medicine and health food wholly represented the performance of the TFH Group. It is expected that subsequent to Completion, there will not be any further contribution from this segment.

Assuming the Disposal had been completed on 31st March, 2007, the Remaining Group would record a loss on the Disposal of approximately HK$17.1 million.

Assets and liabilities

The Disposal will reduce the Remaining Group's total assets and total liabilities by approximately HK$149.0 million and HK$127.2 million respectively with reference to the Consideration received and receivable and book value of the TFH Group as at 31st March, 2007. As a result of the Disposal, there will be a short term decrease in the cash position of the Remaining Group by approximately HK$38.8 million which will subsequently be recovered by the receipt of HK$90 million upon the maturity of the Note, i.e. six months after Completion.

The Disposal has no material impact on the net gearing ratio of the Remaining Group.

USE OF PROCEEDS

A substantial part of the Consideration will be settled by way of the issue of the Note while the remaining part of the Consideration in the amount of HK$20 million will be paid in cash. The sale proceeds from the Disposal will be applied as general working capital of the Remaining Group.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE REMAINING GROUP

Business Review

For the year ended 31st March, 2007, the Remaining Group recorded income from properties sale and rental of HK$5.2 million, golf and leisure of HK$52.4 million, securities investment of HK$329.2 million and sales of motorcycles of HK$13.1 million. In addition, as a condition for the acquisition of Orient Town Limited ("Orient Town", and together with its subsidiaries the "Orient Town Group"), the Remaining Group has in aggregate advanced a shareholder's loan of HK$978 million to Orient Town on which interest is charged at Hong Kong Prime Rate. Income from loan financing, including interest income from shareholder's loan to Orient Town, amounted to HK$78.1 million and the Remaining Group achieved an aggregate turnover of HK$478.0 million for the year ended 31st March, 2007.

In addition to the acquisition of Orient Town, the Remaining Group has acquired another associate, More Profit International Limited ("More Profit"). Profit in aggregate of HK$40.9 million, was recognised through equity accounting of Orient Town and More Profit in which More Profit contributed a profit of HK$92.1 million, mainly representing revaluation gain recognised. Since Concordia Land Development (as defined below) was still in its early stage of development, Orient Town Group incurred a loss during the year mainly as a result of interest charged on shareholders' loans and the loss attributable to the Group amounted to HK$51.2 million. After taking into account the interest income from loan to Orient Town of HK$56.2 million and the gain on cancellation of option for acquisition of additional 5% interest in Orient Town of HK$23.4 million, there was a profit contribution of HK$28.4 million from the investment in Orient Town.

The acquisition of the entire issued share capital of Donson (International) Development Limited ("Donson", together with its subsidiaries the "Donson Group") was completed in stages from June 2006 to February 2007 and hence its financial results had been consolidated by the Remaining Group. As a result, there were overall increases in all expense items. Due to the issue of additional convertible notes, the related interest expenses, which are calculated with reference to the effective interest rate, amounted to HK$89.3 million for the year ended 31st March, 2007. The Remaining Group achieved a profit of HK$77.1 million for the year ended 31st March, 2007.

Properties

Orient Town Group

In June 2006, the Remaining Group acquired 40% of the issued share capital of Orient Town at the nominal value of HK$280 and in March 2007, its shareholding in Orient Town was further increased to 45%. Orient Town's principal asset is its indirect interest in 14 parcels of leased land situated in Estrada de Seac Pai Van, Macau. In addition, the Remaining Group advanced in aggregate a shareholder's loan of HK$978 million to Orient Town in order to partially finance its indirect investment in the land. The acquisition enabled the Remaining Group to diversify into the property market in Macau and to have a significant interest in a quality residential development project of total gross floor area over 740,000 m^2 ("Concordia Land Development"). Orient Town became an associated company of the Remaining Group after the acquisition.

More Profit

In January 2007, the Remaining Group also acquired a 40% interest in More Profit which in turn owned 50% interest in Great China Company Limited ("Great China"). Great China is the owner of Grand Waldo Hotel in Macau which is destined as a five-star hotel comprising four portions namely, the hotel block, the casino block, the leisure block and the car park. The hotel is leased to an operator for an annual rental income of HK$200 million.

Others

24 residential units and 1 commercial unit at Talon Tower on Connaught Road West, Hong Kong remained unsold as at 31st March, 2007.

Golf and leisure

In June 2006, the Remaining Group also acquired a 55.6% indirect effective interest in, and certain loan owed to the vendors by, Donson for an aggregate consideration of HK$140 million, which was satisfied as to HK$80 million by cash and the remaining HK$60 million by issue of convertible notes. In January and February 2007, the Remaining Group further acquired all minority interests in Donson at a consideration of about HK$117 million. The Donson Group is principally engaged in the operation of golf club, hotel, resorts and development and management of luxurious residential properties in Lotus Hill, Panyu, Guangdong and Yalong Bay, Sanya, Hainan, the PRC.

Since the acquisition by the Remaining Group, the turnover of the Donson Group up to 31st March, 2007 was HK$52.4 million with a segment profit of HK$3.4 million.

Securities investment

During the year ended 31st March, 2007, turnover in securities investment was HK$329.2 million with a segment profit of HK$26.8 million. As at 31st March, 2007, the Remaining Group had available-for-sale investment and financial assets at fair value through profit or loss in an aggregate sum of HK$194.3 million, mainly comprised shares listed in Hong Kong, Japan, Singapore and the United States of America.

Financing

During the year, the Remaining Group had interest income from loans due from associates and other loan receivables of HK$78.1 million which was included in turnover for the year. At year end, loans and interest due from associates and other loan receivables of the Remaining Group amounted to HK$1,285.5 million and HK$235.8 million respectively.

Financial Review

A total amount of HK$1,060 million convertible notes was issued during the year. On 8th June, 2006, HK$60 million unsecured zero coupon convertible notes at an initial conversion price of HK$0.44 per Share due on 11th August, 2010 were issued in partial settlement of the consideration for acquisition of the Donson Group. On 15th June, 2006, the Company had further issued the 2006 June Note at an initial conversion price of HK$0.70 per Share and repayable on 19th June, 2011. These newly-issued HK$60 million convertible notes and the 2006 June Note, unless they are previously converted prior to their maturity, will be redeemed at 108.3% and 110% of their principal amounts respectively.

During the year, convertible notes in an aggregate principal amount of HK$394 million were converted into approximately 895.3 million Shares and the outstanding aggregate principal amount of the convertible notes as at 31st March, 2007 was approximately HK$1,642.1 million.

To further strengthen the Remaining Group's resources for expanding its activities in property investment, the Company had also placed 833,332,000 new Shares at HK$0.60 per Share to raise approximately HK$500 million (before expenses) in June 2006. Mainly due to the placement of new Shares, issuance of new convertible notes, conversion of convertible notes and offset by the loss of HK$17.1 million assuming the Disposal had taken place on 31st March, 2007, the net asset value of the Remaining Group attributable to its Shareholders was HK$1,600.4 million as at 31st March, 2007.

The Remaining Group adopts a prudent funding and treasury policy with regard to its overall business operations. In addition to the above convertible note payables, a variety of credit facilities is maintained by the Remaining Group so as to meet its working capital requirements.

As at 31st March, 2007, the total bank borrowings amounted to HK$93.9 million, of which HK$8.1 million was repayable after one year. The bank borrowings mainly represented those of the Donson Group at 31st March, 2007 as a result of the consolidation of its financial position since the acquisition during the year. The net gearing ratio of the Remaining Group, assuming the Disposal had taken place on 31st March, 2007, calculated with reference to the bank and other borrowings of HK$100.0 million and the fair value of the debt component of the convertible note payables of HK$1,368.4 million, offsetting with the pledged bank deposits and the bank and cash balances of HK$256.6 million, and the Shareholders' funds of HK$1,600.4 million, was 0.76 as at 31st March, 2007.

Majority of the bank borrowings of the Remaining Group were interest-bearing chargeable at variable rates. Most of the assets and liabilities of the Remaining Group were denominated in Hong Kong dollars, Macau Patacas or Renminbi. The Directors considered that the Remaining Group was not subject to any material exchange rate exposure.

Number of Employees, Remuneration Policies and Share Option Scheme

As at 31st March, 2007, the number of employees of the Remaining Group was 1,121 (2006: 31). Employees are remunerated according to their qualifications and experience, job nature and performance, under the pay scales aligned with market conditions. During the year, the Remaining Group had also provided other benefits such as medical, insurance cover and retirement schemes to the employees. On 15th August, 2006, the Company had granted share options with an exercise price of HK$0.50 per Share to certain Directors and senior management of the Company pursuant to the terms and conditions of the share option scheme adopted by the Company on 26th August, 2002.

CORPORATE DEVELOPMENTS

In addition to the acquisitions of interests in (1) Orient Town Group, More Profit and Donson Group; (2) the issue of convertible notes and placing of Shares; and (3) the proposed Disposal, set out below are other significant corporate developments occured from the beginning of the year under review.

On 23rd May, 2006, the name of the Company has been changed from Cheung Tai Hong Holdings Limited to Macau Prime Properties Holdings Limited so as to signify the Group's business strategy and focus.

On 19th June, 2006, the Remaining Group has granted consent for the partial cancellation of call option to purchase additional 5% shareholding in Orient Town for an estimated compensation to the Remaining Group of approximately HK$23.4 million.

On 11th November, 2006, the Remaining Group has entered into a sale and purchase agreement for acquiring 44 residential units in a residential / office / commercial complex in Macau for a consideration of HK$88.5 million which completion has taken place in April 2007. These properties are held for the purpose of resale or rental after major renovation and improvements.

On 25th January, 2007, the Remaining Group has entered into an agreement to acquire an additional 8.7% interest in Empresa De Fomento Industrial E Comercial Concórdia, S.A. ("Concordia") for a consideration of HK$245.7 million, whereby upon completion, the Remaining Group's effective interest in Concordia will increase from 26.8% to 35.5%.

On 9th May, 2007, the Remaining Group has entered into sale and purchase agreements for acquiring 18 residential units and 18 car parking spaces in a newly completed residential building in Macau for a consideration of HK$118.6 million which completion is expected to take place in around July 2007. The Remaining Group intends to hold these properties for resale purpose.

On 18th May, 2007, the Company has entered into a placing and subscription agreement for the issue of 300,000,000 new Shares at HK$0.56 each and completion thereof has taken place in June 2007. The net proceeds of approximately HK$162 million were retained as its general working capital.

PLEDGE OF ASSETS

As at 31st March, 2007, the Remaining Group's properties held for sale in an aggregate value of approximately HK$58.5 million, bank balances of approximately HK$40.8 million, prepaid lease payments of approximately HK$143.2 million, available-for-sales investments of approximately HK$76.0 million and investments held-for-trading of approximately HK$27.1 million had been pledged to the banks and financial institutions to secure bank borrowings and general banking facilities granted to the Remaining Group.

Future Prospects of the Remaining Group

Momentum of the economy of Macau is expected to continue in the years ahead. Booming development in gaming and tourism industries enables Macau to become a top leisure and entertainment destination in the region. Overall investment and business environment is improving, as exemplified by the influx of investors and expatriates. Macau citizens are enjoying enviable increases in their household income which accelerates their demand for better living condition. As a result, the Macau property market has been strong in all sectors, including residential, shops, office and hotels.

Concordia Land Development is one of the largest residential project developments with full amenities in Macau, which completion is planned in four phases with the pre-sale of the first phase scheduled in around mid-2007 in order to capture the existing upbeat demand. Being superiorly located at the south end of Cotai Strip, which is designated by the Government of Macau as the core district for hotel, leisure and entertainment developments, Concordia Land Development enjoys a magnificent view of all the developments in, and shares the infrastructure facilities of, Cotai Strip. A new concession for the Concordia Land Development has been granted by the Government of Macau for an initial term of 25 years which is renewable in accordance with the relevant Macau laws. The development plan will shortly be submitted to the Government of Macau and the construction work will be commenced once all approvals have been obtained. It is expected that the sale of this development will be well received by both local residents and foreign investors. As approved by the Shareholders, the Remaining Group will increase its effective equity interest in Concordia Land Development from 26.8% to 35.5% and become the largest single shareholder so as to maximise its share of return.

Subsequent to the year end, the Remaining Group has acquired 44 residential units at Zhu Kuan Mansion, which is superbly located at the back of "Venetian Macau" (Sands), and 18 residential units together with car parking spaces at Pearl on the Lough on Taipa waterfront. These units are intended to be held for resale or rental purposes.

The property development of the Donson Group is progressing well. Approval for the development of luxurious residential properties within the Lotus Hill Golf Resort in Guangzhou, the PRC, of gross floor area of about 23,000 m^2 has been obtained, which development is expected to complete in 2008. The contribution from the golf business has improved after opening of the club house of Sanya golf resort in early December 2006. In addition, construction of another 9 holes in Sanya golf resort will be completed in around the third quarter of 2007 such that there will be in total 27 holes in operation so as to capture more guests in the coming peak season. The Remaining Group is also actively reviewing and planning further property development within the golf resorts.

The Remaining Group has also acquired a development site on the waterfront of the Hengqin Island at Zhuhai facing Macau side. This site has an area of approximately 26,500 m^2 and is capable of development into gross floor area of approximately 42,500 m^2 for residential and/or commercial uses.

In May 2007, the Company has further raised approximately HK$162 million by issue of 300 million new Shares through a top-up placing.

The Remaining Group is actively and cautiously looking for further investment opportunities with primary focus in Macau and the PRC, with a view to expand its investments in quality properties. Barring unforeseeable circumstances, the Directors are optimistic about the Remaining Group's future prospects to take advantage of the excellent opportunities ahead.

SGM

The Disposal constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules and is therefore subject to the approval by the Shareholders at the SGM. As the Purchaser is a third party independent of the Company and its connected persons and are not connected persons of the Company and no Shareholder has a material interest in the Disposal which is different from the other Shareholders, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholders will be required to abstain from voting in respect of the proposed ordinary resolution to approve the Disposal at the SGM under the Listing Rules.

Set out on pages 140 to 141 of this circular is a notice of the SGM to be held at Conference Room, 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong, on Wednesday, 25th July, 2007 at 11:00 a.m., at which an ordinary resolution will be proposed and, if considered appropriate, passed to approve the Disposal.

Whether or not you are able to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

PROCEDURE FOR DEMANDING A POLL

Pursuant to bye-law 66 of the bye-laws of the Company, a resolution put to vote at a general meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(a) by the chairman of the meeting; or

(b) by at least three members present in person or, in case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(c) by any member or members present in person or, in case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) by any member or members present in person or, in case of a member being a corporation, by its duly authorised representative or by proxy and holding Shares conferring a right to vote at the meeting, being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right; or

(e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of Shares representing five per cent. (5%) or more of the total voting rights at such meeting, and if on a show of hand a meeting votes in the opposite manner to that instructed in those proxies, provided that if it is apparent from the total proxies held that a vote taken on a poll shall not reverse the vote taken on a show of hands, then the Director or Directors shall not be required to demand a poll.

In the event that a poll is demanded, the results of the poll will be published by way of an announcement on the websites of the Company and of the Stock Exchange following the SGM and a notification announcement in the local newspapers on the Business Day following the SGM in accordance with the requirements of the Listing Rules.

RECOMMENDATION

The Directors consider that the terms and conditions of the Disposal are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal.

ADDITIONAL INFORMATION

Your attention is drawn to the respective financial information relating to the Group and the Remaining Group and other information set out in the appendices to this circular and the notice convening the SGM.

Yours faithfully,
For and on behalf of the Board
Macau Prime Properties Holdings Limited
Cheung Hon Kit
Chairman

1. ACCOUNTANTS' REPORT ON THE GROUP

The following is the text of a report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountants.

9th July, 2007

The Directors
Macau Prime Properties Holdings Limited

Dear Sirs,

We set out below our report on the consolidated financial information (the "Financial Information") of Macau Prime Properties Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for each of the three years ended 31st March, 2005, 2006 and 2007 (the "Relevant Periods") for inclusion in the circular of the Company dated 9th July, 2007 in connection with a very substantial disposal transaction of the Company (the "Circular").

The Company was incorporated in Bermuda as an exempted company with limited liability on 28th February, 1994 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is at Clarendon House, Church Street, Hamilton HM 11, Bermuda and its principal place of business is at 29th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong. On 27th February, 2007, Macau Prime (B.V.I.) Limited ("MPBVI"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with Master Journal Limited (the "Purchaser"), an investment holding company incorporated under the laws of the British Virgin Islands with limited liability. Pursuant to the Agreement, MPBVI conditionally agreed to sell its entire equity interest in Tung Fong Hung Investment Limited ("TFH") and to assign the outstanding loan owing from TFH to MPBVI amounting to approximately HK$99,695,000, pursuant to the announcement dated 2nd March, 2007, for an aggregate consideration of HK$110,000,000 (the "Disposal") which will be settled by the Purchaser as to HK$20,000,000 in cash and HK$90,000,000 by way of issue of the loan note.

TFH is incorporated in the British Virgin Islands ("BVI"). TFH and its subsidiaries (collectively referred to as the "TFH Group") are principally engaged in the manufacture and sales of Western and Chinese pharmaceutical and health products and foodstuffs and the provision of laboratory testing services. The Disposal constitutes a very substantial disposal of the Company whereupon TFH will cease to be a subsidiary of the Company.

At the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Percentage of issued share/ paid-up capital held by the Company	Principal activities
Directly held					
Macau Prime (B.V.I.) Limited	6th August, 1993	BVI	US$50,000 ordinary shares	100%	Investment holding
Macau Prime Management Group Limited	24th August, 2005	BVI	US$1 ordinary share	100%	Investment holding
Macau Prime Property Group Limited	24th August, 2005	BVI	US$1 ordinary share	100%	Investment holding
Indirectly held					
Advance Tech Limited	10th November, 2005	Hong Kong	HK$1 ordinary share	100%	Securities investment
Asia Progress Investments Limited	20th November, 1996	BVI	US$1 ordinary share	100%	Investment holding
Asia Union Investments Limited	3rd June, 2006	Hong Kong	HK$1 ordinary share	100%	Investment holding
Best Base Holdings Limited	3rd June, 2006	Hong Kong	HK$1 ordinary share	100%	Investment holding
Braniff Developments Limited	1st April, 2005	BVI	US$200 ordinary shares	100%	Investment holding
Champion Palace Development Limited*	12th December, 1991	Hong Kong	HK$2 ordinary shares	100%	Properties holding in the People's Republic of China (the "PRC")
Cheung Tai Hong Holdings (Foods) Limited	12th May, 1997	Hong Kong	HK$2 ordinary shares	100%	Inactive

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Percentage of issued share/ paid-up capital held by the Company	Principal activities
Cheung Tai Hong Holdings Limited	28th April, 2006	Hong Kong	HK$1 ordinary share	100%	Investment holding
Cheung Tai Hong Holdings (Motor Vehicle) Limited	11th August, 1999	Hong Kong	HK$10,000 ordinary shares	100%	Trading of motorcycles and spare parts
Cheung Tai Hong Holdings (Property) Limited	21st September, 2005	Hong Kong	US$50,000 ordinary shares	100%	Investment holding
Cheung Tai Hong Holdings (Technology) Limited	14th May, 1996	Hong Kong	HK$2 ordinary shares	100%	Investment holding
Cheung Tai Hong Services Limited	27th September, 2005	Hong Kong	HK$1 ordinary share	100%	Providing corporate services
Cosmos Profit International Limited*	30th December, 1996	Hong Kong	HK$2 ordinary shares	100%	Lease arrangement
Donson Golf Management Company Limited	15th August, 2005	Hong Kong	HK$10,000 ordinary shares	100%	Inactive
Donson (International) Development Limited	28th April, 1992	Hong Kong	HK$85,297,692 ordinary shares	100%	Investment holding
Dragon Rainbow Limited	1st August, 2006	BVI	US$1 ordinary share	100%	Investment holding
Eastern Top Limited	16th February, 2007	Hong Kong	HK$1 ordinary share	100%	Investment holding
Everight Investment Limited	11th August, 1992	Hong Kong	HK$47,412,692 ordinary shares	100%	Investment holding
Exalt Investment Limited*	16th August, 1985	Hong Kong	HK$10,000 ordinary shares	100%	Investment holding

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Percentage of issued share/ paid-up capital held by the Company	Principal activities
Fast Profit (Asia) Group Limited	2nd January, 2007	BVI	US$1 ordinary share	100%	Investment holding
Fountain Property Limited	3rd September, 1996	Hong Kong	HK$2 ordinary shares	100%	Inactive
Fullwick Limited	17th January, 2007	BVI	US$1 ordinary share	100%	Investment holding
Handsworth Investments Limited	3rd January, 1997	BVI	US$1 ordinary share	100%	Investment holding
Hayton Limited	15th September, 2005	Hong Kong	HK$1 ordinary share	100%	Property holding
Jean-Marie Pharmacal Company Limited*	21st February, 1978	Hong Kong	HK$812,600 ordinary shares	100%	Manufacture and sale of pharmaceutical products
Jean-Marie Pharmacal Management Limited*	27th December, 1996	Hong Kong	HK$2 ordinary shares	100%	Investment holding
Jumbo Ever Limited*	27th December, 1996	Hong Kong	HK$2 ordinary shares	100%	Investment holding
King-Tech International Holdings Limited	2nd May, 1995	Hong Kong	HK$2 ordinary shares	100%	Investment holding
Linktop Limited	17th January, 2007	BVI	US$1 ordinary share	100%	Investment holding
Lotus Hill Golf Resort (H.K.) Limited	11th April, 2006	Hong Kong	HK$1 ordinary share	100%	Inactive
Macau Prime Finance Limited	5th November, 1991	Hong Kong	HK$2 ordinary shares	100%	Money lending
Macau Properties Group Limited	8th April, 2006	Hong Kong	HK$1 ordinary share	100%	Investment holding

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Percentage of issued share/ paid-up capital held by the Company	Principal activities
Maxter Limited	17th January, 2007	BVI	US$1 ordinary share	100%	Investment holding
Macau Prime (Chongqing) Limited	8th April, 2006	Hong Kong	HK$1 ordinary share	100%	Investment holding
Macau Prime Investment (China) Limited	21st September, 2005	BVI	US$1 ordinary share	100%	Investment holding
Macau Prime Investment (Hong Kong) Limited	21st September, 2005	BVI	US$1 ordinary share	100%	Investment holding
Macau Prime Investment (Macau) Limited	21st September, 2005	BVI	US$1 ordinary share	100%	Investment holding
Macau Prime Investment (PRC) Limited	22nd September, 2005	BVI	US$1 ordinary share	100%	Investment holding
Macau Prime Management Limited	28th April, 1950	Hong Kong	HK$2,000 ordinary shares HK$500,000 non-voting deferred shares	100%	Securities investment and investment holding
Macau Prime Property (China) Limited	21st September, 2005	BVI	US$1 ordinary share	100%	Investment holding
Macau Prime Property (Hong Kong) Limited	21st September, 2005	BVI	US$1 ordinary share	100%	Investment holding
Macau Prime Property (Macau) Limited	21st September, 2005	BVI	US$1 ordinary share	100%	Investment holding
Master Super Development Limited	28th November, 1996	Hong Kong	HK$100 ordinary shares	100%	Property holding and sale
Mega Wealth Limited	26th April, 2002	Hong Kong	HK$2 ordinary shares	100%	Investment holding

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Percentage of issued share/ paid-up capital held by the Company	Principal activities
Million Orient Limited	22nd March, 2006	Hong Kong	HK$1 ordinary share	100%	Investment holding
New Smarten Limited	25th May, 2005	Hong Kong	HK$1 ordinary share	100%	Investment holding
Pacific Essence Limited*	8th September, 1997	BVI	US$1 ordinary share	100%	Investment holding
Pacific Wins Development Ltd.* ("Pacific Wins")	3rd April, 1996	BVI	US$1,000 ordinary shares	100%	Investment holding
Polywin International Limited	12th May, 2006	BVI	US$1 ordinary share	100%	Investment holding
Profit View Limited	24th January, 2000	BVI	US$1 ordinary share	100%	Investment holding
Smart Sharp Investment Limited	25th January, 2002	Hong Kong	HK$75,202,694 ordinary shares	100%	Investment holding
Sound Advice Investments Limited	10th May, 1994	BVI	US$100 ordinary shares	100%	Investment holding
South Step Limited	19th May, 2005	Hong Kong	HK$1 ordinary share	100%	Property investment and development
Sunray Power Limited	15th July, 1999	BVI	US$1 ordinary share	100%	Investment holding
Stream Ahear International Limited	17th May, 2006	BVI	US$1 ordinary share	100%	Investment holding
Teamate Limited	12th July, 2005	BVI	US$1 ordinary share	100%	Investment holding
Time Fortune International Limited*	6th June, 1995	Hong Kong	HK$10 ordinary shares	100%	Investment holding

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Percentage of issued share/ paid-up capital held by the Company	Principal activities
Tung Fong Hung (China) Limited*	10th December, 1992	Hong Kong	HK$2 ordinary shares	100%	Distribution of Chinese medicine and health food
Tung Fong Hung Foods Limited*	7th November, 1991	Hong Kong	HK$2 ordinary shares	100%	Distribution of health food
Tung Fong Hung Foods Company, B.C. Limited*	14th May, 1990	Canada	CA$360 common	100%	Retail of herbal products and dried sea food
Tung Fong Hung Investment Limited*	29th November, 1994	BVI	US$10,000 ordinary shares	100%	Investment holding
Tung Fong Hung Medicine (Retail) Limited*	30th December, 1996	Hong Kong	HK$2 ordinary shares	100%	Investment holding
Tung Fong Hung Medicine (BVI) Limited*	17th August, 1992	BVI	HK$0.2 ordinary share	100%	Investment holding
Tung Fong Hung Medicine Company (Macau) Limited*	22nd June, 2000	Macau	MOP100,000 quota capital	100%	Retailing of Chinese medicine and foodstuffs
Tung Fong Hung Medicine Company, Limited*	9th November, 1973	Hong Kong	HK$1,001 ordinary shares	100%	Retailing of Chinese medicine and foodstuffs
Tung Fong Hung Nominees Limited*	4th January, 1993	BVI	US$2 ordinary shares	100%	Provision of nominee services
TFH (China) Holdings Limited*	27th December, 1996	Hong Kong	HK$2 ordinary shares	100%	Investment holding

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Percentage of issued share/ paid-up capital held by the Company	Principal activities
TFH Consultation Services Limited*	10th September, 1997	Hong Kong	HK$2 ordinary shares	100%	Provision for consultation service
TFH Management Limited*	7th May, 1997	Hong Kong	HK$2 ordinary shares	100%	Provision of management services
TFH Manufacturing Company Limited*	9th March, 2001	Hong Kong	HK$2 ordinary shares	100%	Processing, packaging and distribution of Chinese medicine and foodstuffs
TFH Supplies Company Limited*	28th February, 2001	Hong Kong	HK$2 ordinary shares	100%	Inactive
Top Century International Limited	10th January, 2006	BVI	US$1 ordinary share	100%	Investment holding
Total Pacific Limited*	13th August, 1997	Hong Kong	HK$2 ordinary shares	100%	Investment holding
Universal Focus Limited*	28th February, 1997	BVI	US$1 ordinary share	100%	Investment holding
Vintage Golf Holdings Limited	1st March, 2001	BVI	HK$19,010,000 ordinary shares	100%	Inactive
Vintage Hotel Limited	26th October, 1995	BVI	HK$23,595,000 ordinary shares	100%	Development and operation of hotel and golf resort
Wealthy First Investment Limited	14th February, 2006	Hong Kong	HK$2 ordinary shares	100%	Investment holding

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Percentage of issued share/ paid-up capital held by the Company	Principal activities
Well Cycle Limited	28th December, 1993	Hong Kong	HK$2 ordinary shares	100%	Letting of motor vehicles
三亞亞龍灣風景高爾夫文化公園有限公司	6th June, 1999	PRC — Sino-foreign equity joint venture	RMB35,000,000	80%	Development and operation of golf resort and hotel
三亞亞龍灣紅峽谷度假酒店有限公司	12th October, 2006	PRC — Sino-foreign equity joint venture	HK$30,000,000	100%	Development and operation of hotel
廣州市祥泰房地產咨詢有限公司	30th September, 2005	PRC — Wholly-foreign owned enterprise	HK$100,000	100%	Property consulting
廣州番禺蓮花山高爾夫球度假俱樂部	18th September, 1992	PRC — Sino-foreign equity joint venture	RMB46,000,000	65%	Development of golf resort and property management
廣州市蓮翠房產物業管理有限公司	17th April, 2003	PRC — Sino-foreign equity joint venture	RMB500,000	65%	Property management
廣州市東方紅保健品有限公司*	8th April, 1999	PRC — Wholly-owned foreign enterprise	HK$2,500,000	100%	Distribution of Chinese medicine and health food
番禺偉迪斯高爾夫房地產有限公司	30th May, 2000	PRC — Sino-foreign equity joint venture	RMB19,550,000	64.84%	Property management
深圳市東方紅保健品有限公司*	9th October, 2005	PRC — Wholly-owned foreign enterprise	RMB1,000,000	100%	Distribution of Chinese medicine and health food
深圳市東方聖恒貿易有限公司*	25th August, 2005	PRC — Sino-foreign equity joint venture	RMB2,000,000	51%	Distribution of Chinese medicine and health food

Name of subsidiary/associate	Date of incorporation/ establishment	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Percentage of issued share/ paid-up capital held by the Company	Principal activities
東方紅(中山)保健食品廠有限公司*	28th February, 1991	PRC — Wholly-owned foreign enterprise	US$1,000,000	100%	Processing and wholesaling of health food
黑龍江金保華農業有限公司*	31st July, 2000	PRC — Wholly-owned foreign enterprise	HK$14,000,000	100%	Cultivation and sales of potatoes
哈爾濱東方綠種業有限公司*	26th March, 2003	PRC — Wholly-owned domestic enterprise	RMB1,100,000	100%	Sales of potatoes seeds

* *Subsidiaries of the Company held indirectly through TFH.*

Associates

Best Profit Holdings Limited	6th October, 2005	Hong Kong	HK$1,000 ordinary shares	31.5%	Investment holding
Empresa De Fomento Industrial E Comercial Concórdia, S.A.	14th August, 1995	Macau	MOP100,000,000 quota capital	26.8%	Property development
Giant Energy Limited	18th November, 2005	Hong Kong	HK$1 ordinary share	45%	Investment holding
Jean-Bon Pharmaceutical Technology Company Limited	5th July, 2004	Hong Kong	HK$10,000 ordinary shares	50%	Inactive
Macau Properties Holdings Limited	11th April, 2006	Hong Kong	HK$1 ordinary share	45%	Investment holding
More Profit International Limited	25th August, 2006	British Virgin Islands	US$10,000 ordinary shares	40%	Investment holding

Name of associate	Date of incorporation/ establishment	Place of incorporation/ establishment and operations	Issued and fully paid share capital/ registered capital	Percentage of issued share/ paid-up capital held by the Company	Principal activities
Orient Town Limited	1st June, 2005	Hong Kong	HK$700 ordinary shares	31.5%	Investment holding
Orient Town Project Management Limited	1st February, 2007	Macau	MOP25,000 quota capital	45%	Property project management
San Lun Mang Investimentos, Limitada	16th August, 2006	Macau	MOP100,000 quota capital	31.5%	Investment holding
Great China Company Limited	20th May, 2003	Macau	MOP100,000 quota capital	20%	Investment property holding

We have acted as auditors of those companies incorporated in Hong Kong for each of the Relevant Periods, or since their respective dates of incorporation or acquisition, where this is shorter period. Audited financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong.

The statutory audited financial statements of the following subsidiaries established in the PRC for each of the Relevant Periods, or since their respective dates of establishment or acquisition, where this is a shorter period, were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC and were audited by certified public accountants registered in the PRC referred to as below.

Name of subsidiary	Financial year	PRC Auditors
三亞亞龍灣風景高爾夫文化公園有限公司	For the year ended 31st December, 2006	海南恒譽會計師事務所
三亞亞龍灣紅峽谷度假酒店有限公司	For the year ended 31st December, 2006	海南恒譽會計師事務所
廣州市祥泰房地產咨詢有限公司	For the two years ended 31st December, 2006	廣東天華華粵會計師事務所有限公司
廣州番禺蓮花山高爾夫球度假俱樂部	For the year ended 31st December, 2006	廣州業勤會計師事務所有限公司
廣州市蓮翠房產物業管理有限公司	For the year ended 31st December, 2006	廣州業勤會計師事務所有限公司
廣州市東方紅保健品有限公司	For the three years ended 31st December, 2006	廣州市德信會計師事務所有限公司
番禺偉迪斯高爾夫房地產有限公司	For the year ended 31st December, 2006	廣州市德信會計師事務所有限公司
深圳市東方紅保健品有限公司	For the two years ended 31st December, 2006	深圳市華鵬會計師事務所有限責任公司
深圳市東方聖恒貿易有限公司	For the two years ended 31st December, 2006	深圳市華鵬會計師事務所有限責任公司
東方紅(中山)保健食品廠有限公司	For the three years ended 31st December, 2006	中山香山會計師事務所有限公司
黑龍江金保華農業有限公司	For the three years ended 31st December, 2006	哈爾濱開發會計師事務所有限責任公司
哈爾濱東方綠種業有限公司	For the three years ended 31st December, 2006	哈爾濱開發會計師事務所有限責任公司

We have acted as the auditors of the Company for each of the Relevant Periods. The consolidated financial statements of the Group for each of the Relevant Periods were prepared in accordance with accounting principles generally accepted in Hong Kong. No audited financial statements have been prepared for those companies incorporated in the BVI and for Tung Fong Hung Foods Company, B.C. Limited and Tung Fong Hung Medicine Company (Macau) Limited since their respective dates of incorporation or acquisition as there are no statutory audit requirements.

The Financial Information as set out in this report has been prepared based on the audited consolidated financial information of the Group for each of the Relevant Periods ("Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Circular. The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange.

We have examined the Underlying Financial Statements and our examination was made in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31st March, 2005, 2006 and 2007 and of the consolidated results and consolidated cash flows of the Group for each of the three years ended 31st March, 2007.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS

	Notes	Year ended 31st March, 2005 HK$'000	2006 HK$'000	2007 HK$'000
Turnover	7	379,396	842,256	881,621
Property sale and rental income		91,707	2,198	5,251
Golf and leisure income		–	–	52,367
Sales of motorcycles		11,737	11,756	13,125
Sales of medicine and health products		275,952	324,800	400,638
		379,396	338,754	471,381
Cost of sales		(259,478)	(220,788)	(302,381)
Gross profit		119,918	117,966	169,000
Net income from loan financing		–	–	80,219
Net (decrease) increase in fair value of financial assets at fair value through profit or loss		–	(2,597)	28,623
Other income	8	2,139	21,787	51,448
Distribution costs		(57,942)	(72,630)	(85,270)
Administrative expenses		(31,716)	(50,363)	(121,756)
Other expenses		(567)	(39)	(3,550)
Compensation for cancellation of call options for acquisition of additional interest in an associate	21(i)	–	–	23,370
Doubtful debts provided		(1,729)	–	–
Gain on disposal of investments in securities		30	–	–
Amortisation of goodwill arising on acquisition of subsidiaries		(1,051)	–	–
Impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries	19	–	(21,885)	–
Impairment loss of property, plant and equipment	14	–	(25,851)	–
Loss on disposal of investment properties		(3,217)	–	–
Unrealised holding loss of other investments		(4,226)	–	–
Share of results of associates		–	(5)	40,916
Finance costs	9	(7,554)	(36,818)	(98,844)
Profit (loss) before taxation		14,085	(70,435)	84,156
Taxation	10	(1,823)	(2,657)	(10,055)
Profit (loss) for the year	11	12,262	(73,092)	74,101
Attributable to:				
Equity holders of the Company		12,262	(72,960)	79,091
Minority interests		–	(132)	(4,990)
		12,262	(73,092)	74,101
		HK cents	*HK cents*	*HK cents*
Earnings (loss) per share	13			
– Basic		7.6	(17.2)	3.7
– Diluted		6.3	N/A	3.6

CONSOLIDATED BALANCE SHEETS

		At 31st March,		
		2005	2006	2007
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	14	64,353	38,627	279,956
Prepaid lease payments of leasehold land	15	1,365	1,375	96,772
Premium on prepaid lease payments of leasehold land	16	–	–	131,527
Intangible assets	17	2,015	2,986	430
Goodwill	18	21,885	–	–
Available-for-sale investments	20	–	–	130,036
Interests in associates	21	–	–	93,879
Unsecured loans and interest due from associates	22	–	–	1,234,443
Deposit and expenses paid for acquisition of a land use right	23	–	–	41,466
Deposits and expenses paid for acquisition of subsidiaries and associates	24	–	253,964	90,675
Deposits and expenses paid for acquisition of investment properties	25	–	–	27,125
Other loan receivables	26	–	4,635	9,634
		89,618	301,587	2,135,943
Current assets				
Inventories	27	59,280	70,859	76,919
Properties held for sale		58,536	58,536	58,536
Properties under development	27	–	–	11,296
Financial assets at fair value through profit or loss	28	–	9,043	66,725
Investments in securities	29	10,289	–	–
Debtors, deposits and prepayments	30	38,280	193,365	476,727
Other loan receivables	26	31,500	59,314	256,495
Prepaid lease payments of leasehold land	15	30	30	2,480
Amounts due from associates	22	–	–	68
Tax recoverable		–	–	1,506
Pledged bank deposits	31	3,000	3,000	40,783
Bank balances and cash	31	187,980	705,480	254,622
		388,895	1,099,627	1,246,157

		At 31st March,		
		2005	2006	2007
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Current liabilities				
Creditors, deposits and accrued charges	*32*	62,772	70,237	158,947
Tax payable		1,041	1,273	12,340
Obligations under finance leases — due within one year	*33*	23	143	24
Promissory note payables	*34*	13,000	–	–
Convertible note payables	*35*	180	221	7,945
Amounts due to minority shareholders of subsidiaries	*36*	–	–	1,884
Dividend payable to a minority shareholder of subsidiary		–	–	2,354
Bank and other borrowings — due within one year	*37*	62,146	45,170	111,439
Unsecured loans from minority shareholders of subsidiaries	*38*	–	–	4,515
Unsecured loan from a related company	*39*	–	–	1,616
		139,162	117,044	301,064
Net current assets		249,733	982,583	945,093
Total assets less current liabilities		339,351	1,284,170	3,081,036
Non-current liabilities				
Obligations under finance leases — due after one year	*33*	119	96	71
Bank and other borrowings — due after one year	*37*	5,625	–	8,081
Convertible note payables	*35*	84,803	838,241	1,360,455
Deferred tax liabilities	*40*	–	–	40,609
		90,547	838,337	1,409,216
		248,804	445,833	1,671,820
Capital and reserves				
Share capital	*41*	3,610	6,314	23,123
Reserves		245,194	438,703	1,598,516
Equity attributable to the equity holders of the Company		248,804	445,017	1,621,639
Minority interests		–	816	50,181
		248,804	445,833	1,671,820

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company													
	Share capital	Share premium	Capital redemption reserve	Convertible loan notes equity reserve	Share-based payment reserve	Available-for-sale investments reserve	Other reserve	Special reserve	Revaluation reserve	Translation reserve	Accumulated profits	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (*note i*)	*HK$'000* (*note ii*)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2004	1,277	2,071	646	–	–	–	32,308	(8,908)	–	–	102,782	130,176	–	130,176
Exchange differences arising on translation of foreign operations and income recognised directly in equity	–	–	–	–	–	–	–	–	–	627	–	627	–	627
Profit for the year	–	–	–	–	–	–	–	–	–	–	12,262	12,262	–	12,262
Total recognised income for the year	–	–	–	–	–	–	–	–	–	627	12,262	12,889	–	12,889
Exercise of share options	12	227	–	–	–	–	–	–	–	–	–	239	–	239
Recognition of equity component of convertible notes	–	–	–	3,466	–	–	–	–	–	–	–	3,466	–	3,466
Issue of shares	1,750	78,500	–	–	–	–	–	–	–	–	–	80,250	–	80,250
Conversion of convertible notes	571	24,182	–	(346)	–	–	–	–	–	–	–	24,407	–	24,407
Expenses incurred in connection with issue of shares	–	(2,623)	–	–	–	–	–	–	–	–	–	(2,623)	–	(2,623)
At 31st March, 2005, as restated	3,610	102,357	646	3,120	–	–	32,308	(8,908)	–	627	115,044	248,804	–	248,804
Exchange differences arising on translation of foreign operations and income recognised directly in equity	–	–	–	–	–	–	–	–	–	1,669	–	1,669	24	1,693
Loss for the year	–	–	–	–	–	–	–	–	–	–	(72,960)	(72,960)	(132)	(73,092)
Total recognised income and expenses for the year	–	–	–	–	–	–	–	–	–	1,669	(72,960)	(71,291)	(108)	(71,399)
Recognition of equity component of convertible notes	–	–	–	160,914	–	–	–	–	–	–	–	160,914	–	160,914
Conversion of convertible notes	2,704	110,867	–	(6,981)	–	–	–	–	–	–	–	106,590	–	106,590
Capital contribution of minority shareholders	–	–	–	–	–	–	–	–	–	–	–	–	924	924

	Attributable to equity holders of the Company													
	Share capital	Share premium	Capital redemption reserve	Convertible loan notes equity reserve	Share-based payment reserve	Available-for-sale investments reserve	Other reserve	Special reserve	Revaluation reserve	Translation reserve	Accumulated profits	Total	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(note i)*	*HK$'000* *(note ii)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31st March, 2006	6,314	213,224	646	157,053	–	–	32,308	(8,908)	–	2,296	42,084	445,017	816	445,833
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	–	8,068	–	8,068	5,077	13,145
Gain on fair value changes of available-for-sale investments	–	–	–	–	–	3,481	–	–	–	–	–	3,481	–	3,481
Income recognised directly in equity	–	–	–	–	–	3,481	–	–	–	8,068	–	11,549	5,077	16,626
Profit for the year	–	–	–	–	–	–	–	–	–	–	79,091	79,091	(4,990)	74,101
Total recognised income and expenses for the year	–	–	–	–	–	3,481	–	–	–	8,068	79,091	90,640	87	90,727
Transfer *(note i)*	–	–	–	–	–	–	(32,308)	–	–	–	32,308	–	–	–
Recognition of equity component of convertible notes	–	–	–	274,644	–	–	–	–	–	–	–	274,644	–	274,644
Conversion of convertible notes	8,953	393,688	–	(63,393)	–	–	–	–	–	–	–	339,248	–	339,248
Issue of shares	8,334	491,666	–	–	–	–	–	–	–	–	–	500,000	–	500,000
Expenses incurred in connection with issue of shares	–	(12,908)	–	–	–	–	–	–	–	–	–	(12,908)	–	(12,908)
Repurchase and cancellation of shares	(478)	(19,615)	478	–	–	–	–	–	–	–	(478)	(20,093)	–	(20,093)
Recognition of equity-settled share-based payments	–	–	–	–	3,296	–	–	–	–	–	–	3,296	–	3,296
Dividend payable to a minority shareholder	–	–	–	–	–	–	–	–	–	–	–	–	(2,354)	(2,354)
Acquired on acquisition of subsidiaries *(note 43)*	–	–	–	–	–	–	–	–	1,795	–	–	1,795	51,632	53,427
At 31st March, 2007	23,123	1,066,055	1,124	368,304	3,296	3,481	–	(8,908)	1,795	10,364	153,005	1,621,639	50,181	1,671,820

Notes:

(i) Other reserve of the Group represents net balance from capital reduction, cancellation of share premium and set-off against the deficit pursuant to the capital reorganisation on 15th April, 2003. Pursuant to a resolution of the Directors passed on 29th September, 2006, the amount of other reserve was transferred to the accumulated profits.

(ii) Special reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired and the nominal amount of the share capital of the Company issued as consideration under the group reorganisation in 1994.

CONSOLIDATED CASH FLOW STATEMENTS

	Year ended 31st March, 2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit (loss) before taxation	14,085	(70,435)	84,156
Adjustments for:			
Finance costs	7,554	36,818	98,844
Share of results of associates	–	5	(40,916)
Allowance for (reversal of) amounts due from associates	17	(3)	1
Amortisation of intangible assets	71	171	225
Amortisation of goodwill	1,051	–	–
Bank interest income	(595)	(19,323)	(33,942)
Depreciation of property, plant and equipment	8,809	10,246	20,797
Allowance for inventories	7,272	5,964	10,870
Amortisation of prepaid lease payments of leasehold land	27	30	1,984
Amortisation of premium on prepaid lease payments of leasehold land	–	–	2,502
Discount on acquisition of subsidiaries	–	–	(4,207)
Dividend income received from an associate	–	–	(7,452)
Compensation of cancellation of call options for acquisition of additional interest in an associate	–	–	(23,370)
Equity-settled share-based payments expense	–	–	3,296
Doubtful debts provided	1,729	–	–
Impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries	–	21,885	–
Impairment loss of property, plant and equipment	–	25,851	–
Loss on disposal of property, plant and equipment	66	544	235
Gain on disposal of investments in securities	(30)	–	–
Loss on disposal of investment properties	3,217	–	–
Write-off of intangible assets	645	299	2,550
Net decrease (increase) in fair value of financial assets at fair value through profit or loss	–	2,597	(28,623)
Unrealised holding loss of other investments	4,226	–	–
Release of negative goodwill	(2,224)	–	–
Operating cash flows before movements in working capital	45,920	14,649	86,950
Increase in unsecured loans to associates	–	–	(1,010,606)
Increase in other loan receivables	(31,500)	(32,449)	(202,180)
(Increase) decrease in amounts due from associates	(17)	3	(69)
Increase in inventories	(6,199)	(17,543)	(15,178)
Decrease in properties held for sale	60,534	–	213
Increase in properties under development	–	–	(5,696)
Increase in financial assets at fair value through profit or loss	–	(1,351)	(29,059)
Increase in debtors, deposits and prepayments	(4,514)	(341)	(18,440)
Increase in creditors, deposits and accrued charges	4,900	9,449	33,070
Cash generated from (used in) operations	69,124	(27,583)	(1,160,995)
Hong Kong Profits Tax paid	–	(5)	(34)
Overseas taxation paid	(768)	(2,420)	(1,930)
Interest paid	(4,261)	(6,686)	(9,744)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	64,095	(36,694)	(1,172,703)

CONSOLIDATED CASH FLOW STATEMENTS

	Note	2005	2006	2007
		Year ended 31st March,		
		HK$'000	HK$'000	HK$'000
INVESTING ACTIVITIES				
Refundable earnest money received		–	–	140,000
Interest received		296	14,682	19,630
Proceeds from disposal of property, plant and equipment		476	1,146	135
Proceeds from disposal of investment properties		4,983	–	–
Proceeds from disposal of investments in securities		1,903	–	–
Refundable earnest money paid		–	(150,136)	(352,075)
Purchase of available-for-sale investments		–	–	(126,555)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	43	(22,861)	(1,297)	(120,315)
Deposits and expenses paid for acquisition of subsidiaries and associates		–	(253,964)	(90,675)
Purchase of property, plant and equipment		(3,081)	(10,172)	(44,019)
Deposit and expenses paid for acquisition of a land use right		–	–	(41,466)
Increase in pledged bank deposits		(3,000)	–	(37,783)
Deposit and expenses paid for acquisition of investment properties		–	–	(27,125)
Acquisition of associates		–	(5)	(4,942)
Development cost incurred		(1,467)	(1,441)	(219)
NET CASH USED IN INVESTING ACTIVITIES		(22,751)	(401,187)	(685,409)
FINANCING ACTIVITIES				
Net proceeds from issue of convertible notes		97,501	988,867	981,730
Proceeds from issue of shares		80,489	–	500,000
New bank and other borrowings raised		96,225	264	37,815
Advance from minority shareholders of subsidiaries		–	–	507
Unsecured loan from a related company		–	–	67
Capital contribution of minority shareholders		–	924	–
Repayment of unsecured other borrowings		–	–	(36,565)
Repayment of unsecured loan from a director		–	–	(3,998)
Repayment of loans from minority shareholders of subsidiaries		–	–	(30,386)
Share repurchase and cancellation		–	–	(20,093)
Expenses paid in connection with issue of shares		(2,623)	–	(12,908)
Repayment of bank and other borrowings		(205,596)	(22,865)	(10,939)
Repayment of obligations under finance leases		(16)	(12)	(144)
Repayment of promissory notes		–	(13,000)	–
NET CASH FROM FINANCING ACTIVITIES		65,980	954,178	1,405,086
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		107,324	516,297	(453,026)
CASH AND CASH EQUIVALENTS AT 1ST APRIL		80,136	187,980	705,480
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		520	1,203	2,168
CASH AND CASH EQUIVALENTS AT 31ST MARCH, represented bank balances and cash		187,980	705,480	254,622

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange. The address of the registered office of the Company is Clarendon House, Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company is 29th Floor, Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Financial Information is prepared in Hong Kong dollars, which is the same as the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Group are property development and investment, development and operation of golf resort and hotel, manufacture and trading of medicine and health food, trading of motorcycles, securities investment and loan financing services.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

For the year ended 31st March, 2006

In 2006, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS(s)"), Hong Kong Accounting Standards ("HKAS(s)") and Interpretations ("INT") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1st January, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of minority interests has been changed. The changes of presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for current and prior accounting years are prepared and presented:

Business combinations

In 2006, the Group has applied HKFRS 3 "Business Combinations" which is effective for business combinations for which the agreement date is on or after 1st January, 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous periods, goodwill arising on acquisitions after 1st April, 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. With respect to goodwill previously capitalised on the balance sheet, the Group, on 1st April, 2005, eliminated the carrying amount of the related accumulated amortisation of HK$1,051,000, with a corresponding decrease in the cost of goodwill (see note 18). The Group has discontinued amortising such goodwill from 1st April, 2005 onwards and goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1st April, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2005 have not been restated (see note 3 for the financial impact).

Share-based payments

HKFRS 2 "Share-based Payment" requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1st April, 2005. In relation to share options granted before 1st April, 2005, the Group choose not to apply HKFRS 2 with respect to share options granted on or before 7th November, 2002 and vested before 1st April, 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7th November, 2002 and had not yet vested on 1st April, 2005. Because there were no unvested share options at 1st April, 2005 and no share options have been granted during the year, the adoption of HKFRS 2 has had no impact on the Group's results for the current or prior accounting periods.

Financial instruments

In 2006, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1st January, 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. Other than the disclosure requirement under HKAS 32, the principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible notes

The principal impact of HKAS 32 on the Group is in relation to convertible notes issued by the Company that contain both liability and equity components. Previously, convertible notes were classified as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instrument that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The liability component is classified as a liability while the equity component is included in reserves. Because HKAS 32 requires retrospective application, comparatives figures for 2005 have been restated. Liabilities at 31st March, 2005 have been decreased by HK$5,197,000 with a decrease in share premium of HK$247,000, an increase in accumulated profits of HK$2,324,000 and an increase in convertible loan notes equity reserve by HK$3,120,000. Interest payable of HK$180,000 included in creditors and accrued charges at 31st March, 2005 has been classified to convertible note payables (see note 3 for the financial impact).

Classification and measurement of financial assets and financial liabilities

In 2006, the Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31st March, 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From 1st

April, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity, respectively. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost less impairment after initial recognition. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1st April, 2005, the Group classified and measured its debt and equity securities in accordance with the transitional provisions of HKAS 39. Other investments classified as investments in securities under current assets with a carrying amount of HK$10,289,000 were classified to investments held-for-trading.

Financial assets and financial liabilities other than debt and equity securities

From 1st April, 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirement of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. Other financial liabilities are carried at amortised cost using the effective interest method after initial recognition. During the year, the Group has acquired and designated all equity-linked notes as "financial assets at fair value through profit or loss". The adoption of HKAS 39 has had no material effect on the Group's accumulated profits at 1st April, 2005.

Owner-occupied leasehold interest in land

Prior to the accounting period beginning on 1st April, 2005, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

For the year ended 31st March, 2007

Starting from 1st April, 2006, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1st December, 2005, 1st January, 2006 or 1st March, 2006. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new and revised standards, amendment and interpretations will have no material impact on the Financial Information.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 23 (Revised)	Borrowing Costs[2]
HKFRS 7	Financial Instruments: Disclosures[1]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – INT 8	Scope of HKFRS 2[3]
HK(IFRIC) – INT 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – INT 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – INT 11	HKFRS 2: Group and Treasury Share Transactions[6]
HK(IFRIC) – INT 12	Service Concession Arrangements[7]

[1] Effective for annual periods beginning on or after 1st January, 2007
[2] Effective for annual periods beginning on or after 1st January, 2009
[3] Effective for annual periods beginning on or after 1st May, 2006
[4] Effective for annual periods beginning on or after 1st June, 2006
[5] Effective for annual periods beginning on or after 1st November, 2006
[6] Effective for annual periods beginning on or after 1st March, 2007
[7] Effective for annual periods beginning on or after 1st January, 2008

3. SUMMARY OF THE EFFECT OF THE CHANGES IN ACCOUNTING POLICIES

(i) The effects of the changes in the accounting policies described in note 2 on the results for the year ended 31st March, 2005 and 2006 are as follows:

	Effect of adopting	**2005**	**2006**
		HK$'000	*HK$'000*
Increase in impairment loss recognised in respect of goodwill arising from acquisition of subsidiaries	HKFRS 3	–	(1,146)
Decrease in amortisation of goodwill	HKFRS 3	–	1,146
Increase in interest on the liability component of convertible notes	HKAS 32	(175)	(19,839)
Decrease in administrative expenses in respect of the capitalisation of transaction costs incurred for issue of convertible notes	HKAS 32	2,499	–
Increase in profit (loss) for the year		2,324	(19,839)

(ii) The cumulative effects of the application of the new HKFRSs as at 31st March, 2005 and 1st April, 2005 are summarised below:

	As at 31st March, 2005 (originally stated)	Effect of HKAS 17	Effect of HKAS 32	As at 31st March, 2005 (restated)	Effect of HKAS 39	As at 1st April, 2005 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance sheet items						
Property, plant and equipment	65,748	(1,395)	–	64,353	–	64,353
Prepaid lease payments	–	1,395	–	1,395	–	1,395
Investments in securities	10,289	–	–	10,289	(10,289)	–
Investments held-for-trading	–	–	–	–	10,289	10,289
Creditors and accrued charges	(62,952)	–	180	(62,772)	–	(62,772)
Convertible note payables						
– current portion	–	–	(180)	(180)	–	(180)
– non-current portion	(90,000)	–	5,197	(84,803)	–	(84,803)
Total effect on assets and liabilities	(76,915)	–	5,197	(71,718)	–	(71,718)
Share premium	102,604	–	(247)	102,357	–	102,357
Accumulated profits	112,720	–	2,324	115,044	–	115,044
Convertible loan notes equity reserve						
– equity component of convertible notes	–	–	3,120	3,120	–	3,120
Total effects on equity	215,324	–	5,197	220,521	–	220,521

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information have been prepared in accordance with the significant accounting policies set out below which confirm with Hong Kong Financial Reporting Standards issued by the HKICPA.

Basis of consolidation

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisitions prior to 1st January, 2005

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1st January, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalised goodwill arising on acquisitions after 1st January, 2001, the Group has discontinued amortisation from 1st April, 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired.

Goodwill arising on acquisitions on or after 1st January, 2005

Goodwill arising on the acquisition of a subsidiary for which the agreement date is on or after 1st January, 2005 represents the excess of the cost of acquisition over the Group's interests in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Interest in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these Financial Information using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Goodwill arising on acquisitions on or after 1st January, 2005

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue in relation to hotel and golf club operations are recognised when the services are provided.

Golf club subscription fees are recognised on an accrual basis.

Golf club membership transfer fees are recognised upon approval of the transfer by the management committee of the golf operations.

Building management fee income is recognised on an appropriate basis over the relevant period in which the services are rendered.

Sales of securities investments are recognised when the related bought and sold notes are executed.

Sale of trading properties is recognised on the execution of a binding sales agreement.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income, including rentals invoiced in advance, from properties under operating leases, is recognised on a straight-line basis over the terms of the relevant lease.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Prepaid lease payments of leasehold land

Prepaid lease payments of leasehold land, which represent up-front payments to acquire leasehold land interest, are stated at cost and released to profit or loss over the period of the lease on a straight-line basis.

Premium on prepaid lease payments of leasehold land

Premium on prepaid lease payments of leasehold land represents premium on acquisition of prepaid lease payments of land use rights as a result of acquisition of subsidiaries which are stated at cost and released to profit or loss on the same basis as the related land use rights.

Intangible assets

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. The resultant asset is subsequently amortised on a straight-line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Inventories

Hotel inventories and other inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to professional valuations or directors' estimates based on prevailing market conditions.

Properties under development

Properties under development for future sale in the ordinary course of business are included in current assets at the lower of cost and net realisable value. It comprises the costs of land use right and the costs of development expenditure directly attributable to the development of the properties.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Investments in securities *(for financial year ended 31st March, 2005)*

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are carried at fair value, with unrealised gains and losses included in net profit or loss for the year.

Financial instruments *(effective for financial year beginning on or after 1st April, 2005)*

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held-for-trading and those designated at fair value through profit or loss on initial recognition.

A financial asset other than a financial asset held-for-trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including debtors and other receivables, other loan receivables, unsecured loans and interest due from associates, amounts due from associates, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss.

Any impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed to equity if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities

Financial liabilities including creditors, dividend payable to a minority shareholder of a subsidiary, amounts due to minority shareholders of subsidiaries, bank and other borrowings, unsecured loans from minority shareholders of subsidiaries and unsecured loan from a related company are subsequently measured at amortised cost, using the effective interest method.

Convertible note payables

Convertible note payables issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible note payables and the fair value assigned to the liability component, representing the conversion option for the holder to convert the note payables into equity, is included in equity (convertible loan notes equity reserve).

In the subsequent periods, the liability component of the convertible note payables is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible loan notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible note payables are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability components are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Upon repurchase of the Company's own shares, the respective shares are subsequently cancelled upon repurchase and accordingly, the issued share capital of the Company is diminished by the nominal value thereof. The premium payable on repurchase was charged against the Company's share premium account. An amount equal to the nominal value of the shares repurchased is transferred from accumulated profits to capital redemption reserve.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see above).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value was denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which case, the exchange differences are also recognised directly in equity.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

Payments to the Mandatory Provident Funds and state-managed retirement benefit schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees before 7th November, 2002

The financial impact of share options granted is not recorded in the consolidated balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted to employees after 1st April, 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share-based payment reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss with a corresponding adjustment to share-based payment reserve.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to accumulated profits.

Impairment losses (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, management makes the following estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that can significantly affect the amounts recognised in the Financial Information is disclosed below.

Allowance on other loan receivables

The Group performs ongoing credit evaluations of its borrowers and adjust credit limits based on payment history and the borrowers' current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its borrowers and maintains an allowance for estimated credit losses based upon the present value of the estimated future cash flows discounted at the original effective interest rate. If the financial conditions of the borrowers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be reprised.

Income taxes

As at 31st March, 2007, a deferred tax asset of HK$1,935,000 in relation to unused tax losses has been recognised. No deferred tax asset has been recognised on the tax losses of HK$693,932,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in the consolidated income statement for the period in which such a reversal takes place.

6. FINANCIAL INSTRUMENTS

a. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, financial assets at fair value through profit or loss, unsecured loans and interests due from associates, debtors, other loan receivables, amounts due from associates, pledged bank deposits, bank balances, creditors, bank borrowings and convertible note payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group has minimal currency exposure as the majority of the Group's transactions were denominated in the functional currency of the relevant group entities. The management conducted periodical review of exposure and requirements of various currencies, and will consider hedging significant foreign currency exposures should the need arises.

Certain bank balances and cash held by subsidiaries established in the People's Republic of China (the "PRC") are denominated in Renminbi, the remittance of which outside the PRC is subject to foreign exchange control.

(ii) Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate unsecured loans and interest due from associates, other loan receivables, bank balances, bank borrowings, and unsecured loans from minority shareholders of subsidiaries (see notes 22, 26, 31, 37 and 38 for details). It is the Group's policy to keep its borrowings and loans at floating interest rate so as to minimise the fair value interest rate risk.

(iii) Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate other loan receivables, promissory note payables, convertible note payables, bank and other borrowings and unsecured loan from a related company (see notes 26, 34, 35, 37 and 39 for details). Currently, the Group does not have an interest rate hedging policy. However, the management monitors interest rate exposures and will consider hedging significant interest rate exposure should the need arises.

(iv) Price risk

The Group is exposed to equity security price risk through available-for-sale investments and financial assets at fair value through profit or loss. The management manages this exposure by reviewing the investment portfolio regularly.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings and convertible notes as significant sources of liquidity. As at 31st March, 2007, the Group have available unutilised credit facilities from financial institutions of approximately HK$240,227,000.

Credit risk

As at 31st March, 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform and discharge an obligation by the counterparties and financial guarantees, respectively, issued by the Group arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet and the amount of contingent liabilities as stated in note 44.

In order to minimise credit risk, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and loan receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

With respect to trade debts and other loan receivables, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

With respect to unsecured loans and interest due from associates and amounts due from associates, balances are due from two associates only. The management reviews the operations of those investments to ensure there were no irrecoverable debts. In this regards, management considers that the Group's credit risk on unsecured loans and interest due from associates and amounts due from associates are reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong.

b. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

7. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties, less returns and allowance and is summarised as follows:

	Year ended 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Securities trading	–	502,914	328,693
Dividend income from investments held-for-trading *(Note)*	–	588	462
Sales of motorcycles	11,737	11,756	13,125
Sale of medicine and health products	275,952	324,800	400,638
Sale of properties	91,609	–	1,275
Rental income	98	2,198	2,658
Hotel operations	–	–	12,569
Golf club subscription fees and handling fees	–	–	9,093
Green fees, practice balls and cart rental income	–	–	29,179
Food and beverage sales	–	–	8,974
Pro shop sales	–	–	1,857
Property management fee income	–	–	1,519
Loan interest income	–	–	81,085
Less: Sales and other tax	–	–	(9,506)
	379,396	842,256	881,621

The outgoings arising from rental income are negligible.

Note: Fair value changes on investments held-for-trading includes dividend income.

8. OTHER INCOME

	Year ended 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Bank interest income	595	19,323	33,942
Dividend income from an associate *(Note)*	–	–	7,452
Discount on acquisition of subsidiaries *(note 43)*	–	–	4,207
Others	1,544	2,464	5,847
	2,139	21,787	51,448

Note: The amount represents the excess of dividend income from an associate over the carrying amount of interest in that associate.

9. FINANCE COSTS

	Year ended 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank borrowings wholly repayable within five years	5,677	3,428	7,017
Interest on unsecured loans from minority shareholders of subsidiaries	–	–	2,051
Interest on unsecured loans from related companies	–	–	221
Interest on obligations under finance leases	14	18	12
Interest on unsecured loan from a director	–	–	222
Effective interest on convertible notes	543	33,372	89,321
Loan arrangement fees	1,320	–	–
	7,554	36,818	98,844

10. TAXATION

	Year ended 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Current tax:			
Hong Kong Profits Tax	5	33	37
Taxation in other jurisdictions	1,818	2,624	297
	1,823	2,657	334
Deferred tax *(note 40)*:			
Current year	–	–	3,190
Attributable to a change in tax rate	–	–	6,531
	–	–	9,721
	1,823	2,657	10,055

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the Relevant Periods.

Taxation arising in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

Pursuant to the relevant law and regulations in the PRC, 黑龍江金保華農業有限公司 ("黑龍江金保華") is entitled to full exemption from PRC Enterprise Income Tax for two years commencing from its first profit-making year of operation and thereafter, is entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The first profit-making year of 黑龍江金保華 commenced on 1st January, 2005.

Other than 黑龍江金保華, the provision for PRC Enterprise Income Tax for all other PRC subsidiaries is calculated at a range of 15% to 33% of the estimated assessable profits for the Relevant Periods determined in accordance with the relevant income tax rules and regulations in the PRC. The PRC Enterprise Income Tax will be changed to 25% with effect from 1st January, 2008. The effect of this change has been reflected in the calculation of deferred taxation at 31st March, 2007.

Details of deferred taxation are set out in note 40.

The tax charge for the Relevant Periods can be reconciled to the profit (loss) per the consolidated income statement as follows:

	Year ended 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) before taxation	14,085	(70,435)	84,156
Tax at the Hong Kong Profits Tax rate	2,465	(12,326)	14,727
Tax effect of expenses not deductible for tax purpose	3,246	9,998	20,247
Tax effect of income not taxable for tax purpose	(1,167)	(1,675)	(23,112)
Tax effect of deductible temporary differences not recognised	4,805	7,093	7,465
Utilisation of deductible temporary differences previously not recognised	(7,020)	(756)	(7,654)
Tax effect of share of results of associates	–	1	(7,160)
Effect of tax exemptions granted to subsidiaries in the PRC	(841)	(511)	(73)
Effect of different tax rates of subsidiaries operating in other jurisdictions	335	833	(916)
Effect of change in tax rate	–	–	6,531
Tax charge for the year	1,823	2,657	10,055

11. PROFIT (LOSS) FOR THE YEAR

	Year ended 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Profit (loss) for the year has been arrived at after charging (crediting):			
Auditors' remuneration			
– current year	1,310	2,659	3,359
– underprovision in previous years	75	379	317
	1,385	3,038	3,676
Directors' emoluments *(note 12A)*	366	3,990	13,699
Salaries and other benefits	40,626	50,465	87,948
Equity-settled share-based payments expense to employees	–	–	702
Retirement benefits scheme contributions, net of forfeited contributions of HK$65,000, HK$288,000 and HK$251,000 for each of the three years ended 31st March, 2007	1,768	2,293	3,715
Total staff costs	42,760	56,748	106,064
Less: Amount capitalised in intangible assets	(10)	(96)	(43)
	42,750	56,652	106,021
Cost of inventories recognised as an expense	252,206	214,824	291,511
Depreciation of property, plant and equipment:			
– assets owned by the Group	8,783	10,209	20,774
– assets held under finance leases	26	37	23
Amortisation of prepaid lease payments of leasehold land	27	30	1,984
Amortisation of premium on prepaid lease payments of leasehold land	–	–	2,502
Amortisation of intangible assets	71	171	225
Amortisation of goodwill	1,051	–	–
Total depreciation and amortisation	9,958	10,447	25,508
Allowance for amount due from an associate	17	–	–
Allowance for inventories	7,272	5,964	10,870
Research and development costs	1,562	261	304
Loss on disposal of property, plant and equipment	66	544	235
Write-off of intangible assets	645	299	2,550
Net exchange losses (gain)	14	968	(2,767)
Release of negative goodwill (included in cost of sales)	(2,224)	–	–
(Reversal of) allowance for amounts due from associates	–	(3)	1

12. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

A. Directors' emoluments

The emoluments paid or payable to each of the eight, ten and ten directors for each of the three years ended 31st March, 2005, 2006 and 2007, respectively, were as follows:

For the year ended 31st March, 2005

		Other emoluments		
	Fees	**Salaries and other benefits**	**Contributions to retirement benefits schemes**	**Total emoluments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Tse Cho Tseung	–	268	2	270
Cheung Sze Man	–	–	–	–
Keung Mei Mah, Jennifer	–	–	–	–
Ho Hau Chong, Norman	–	–	–	–
Lo Lin Shing, Simon	–	–	–	–
Wong Chi Keung, Alvin	34	–	–	34
Kwok Ka Lap, Alva	34	–	–	34
Zhang Shichen	28	–	–	28
	96	268	2	366

For the year ended 31st March, 2006

		Other emoluments		
	Fees	**Salaries and other benefits**	**Contributions to retirement benefits schemes**	**Total emoluments**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cheung Hon Kit	9	2,200	10	2,219
Chan Fut Yan	9	1,000	100	1,109
Tse Cho Tseung	360	–	–	360
Cheung Sze Man	–	–	–	–
Ho Hau Chong, Norman	10	–	–	10
Lo Lin Shing, Simon	10	–	–	10
Wong Chi Keung, Alvin	94	–	–	94
Kwok Ka Lap, Alva	94	–	–	94
Chui Sai Cheong	67	–	–	67
Zhang Shichen	27	–	–	27
	680	3,200	110	3,990

For the year ended 31st March, 2007

		Other emoluments			
	Fees	Salaries and other benefits	Equity–settled share-based payments expense	Contributions to retirement benefits schemes	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cheung Hon Kit	10	4,140	1,053	12	5,215
Chan Fut Yan	10	3,400	632	240	4,282
Wong Kam Cheong, Stanley	3	813	39	4	859
Cheung Chi Kit	6	1,123	80	41	1,250
Lai Tsan Tung, David	150	766	–	7	923
Ho Hau Chong, Norman	10	–	316	–	326
Lo Lin Shing, Simon	10	–	158	–	168
Wong Chi Keung, Alvin	120	–	158	–	278
Kwok Ka Lap, Alva	120	–	–	–	120
Chui Sai Cheong	120	–	158	–	278
	559	10,242	2,594	304	13,699

During the year ended 31st March, 2005, one director waived emoluments of HK$240,000.

No directors waived any emoluments during the years ended 31st March, 2006 and 2007.

B. *Highest paid individuals*

Of the five individuals with highest emoluments in the Group, one, two and all for each of the three years ended 31st March, 2005, 2006 and 2007, respectively, were directors of the Company whose emoluments are included in (A) above. For the year ended 31st March, 2007, of these directors, three of them were appointed during the year. Their emoluments of HK$2,278,000 for the period before their appointment as directors were excluded from the amounts disclosed in (A) above.

The emoluments of the remaining four and three individuals for each of the two years ended 31st March, 2005 and 2006 and the emoluments of the three directors before their appointments as directors for the year ended 31st March, 2007 were as follows:

	Year ended 31st March,		
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	1,535	1,949	1,948
Retirement benefits scheme contributions	57	41	29
Equity-settled share-based payments expenses	–	–	301
	1,592	1,990	2,278

The emoluments of the above employees for the years ended 31st March, 2005 and 2006 and the emoluments of the above directors in their role as employees for the year ended 31st March, 2007 were below HK$1,000,000.

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office.

13. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the ordinary equity holders of the Company is based on the following data:

	Year ended 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Earnings:			
Profit (loss) for the year attributable to equity holders of the Company and earnings (loss) for the purpose of basic earnings (loss) per share	12,262	(72,960)	79,091
Effect of dilutive potential ordinary shares			
– Interest on convertible note payables	543		89,321
Earnings for the purpose of diluted earnings per share	12,805		168,412
Number of shares:			
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	160,809,612	424,304,856	2,119,525,127
Effect of dilutive potential ordinary shares			
– share options	26,804		–
– convertible note payables	42,356,597		2,611,225,804
Weighted average number of ordinary shares for the purpose of diluted earnings per share	203,193,013		4,730,750,931

No diluted loss per share was presented for the year ended 31st March, 2006 because assuming the exercise of the share options and the conversion of convertible notes would result in a decrease in the loss per share.

The effect of the outstanding share options of the Company has not been adjusted as the exercise price of the options was higher than the average market price for shares for the year ended 31st March, 2007.

The following table summarises the impact on both basic and diluted earnings (loss) per share as a result of the changes described in notes 2 and 3:

	Impact on basic (loss) earnings per share Year ended 31st March,			Impact on diluted earnings per share Year ended 31st March,		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*	*HK cents*
Reported figures before adjustments	6.2	(12.5)	N/A	5.2	N/A	N/A
Adjustments arising from changes in accounting policies	1.4	(4.7)	N/A	1.1	N/A	N/A
Restated	7.6	(17.2)	N/A	6.3	N/A	N/A

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machineries HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1st April, 2004	–	–	–	717	238	–	955
Exchange adjustments	–	207	–	82	30	–	319
Arising on acquisition of subsidiaries *(note 43)*	2,764	46,769	14,749	4,385	1,460	–	70,127
Additions	–	1,743	19	511	808	–	3,081
Disposals	–	(1,581)	(353)	(378)	(511)	–	(2,823)
At 31st March, 2005 and 1st April, 2005	2,764	47,138	14,415	5,317	2,025	–	71,659
Exchange adjustments	84	469	–	101	59	–	713
Arising on acquisition of a subsidiary *(note 43)*	–	–	–	–	1,264	–	1,264
Additions	2,978	3,876	331	1,095	2,001	–	10,281
Disposals	–	(1,440)	(379)	(1,641)	(1,053)	–	(4,513)
At 31st March, 2006 and 1st April, 2006	5,826	50,043	14,367	4,872	4,296	–	79,404
Exchange adjustments	6,957	695	1,641	234	323	1,170	11,020
Acquired on acquisition of subsidiaries *(note 43)*	161,325	16	8,867	307	1,543	37,761	209,819
Additions	288	1,920	3,927	1,662	2,193	34,029	44,019
Transfer	33,892	–	–	1,245	–	(35,137)	–
Disposals	(34)	(801)	(1,535)	(90)	(1,147)	–	(3,607)
At 31st March, 2007	208,254	51,873	27,267	8,230	7,208	37,823	340,655
DEPRECIATION							
At 1st April, 2004	–	–	–	460	115	–	575
Exchange adjustments	–	124	–	64	15	–	203
Provided for the year	58	6,208	834	1,379	330	–	8,809
Eliminated on disposals	–	(1,509)	(70)	(371)	(331)	–	(2,281)
At 31st March, 2005 and 1st April, 2005	58	4,823	764	1,532	129	–	7,306
Exchange adjustments	5	95	–	56	41	–	197
Provided for the year	124	7,257	964	1,317	584	–	10,246
Impairment loss recognised	–	17,478	8,373	–	–	–	25,851
Eliminated on disposals	–	(1,001)	(26)	(1,524)	(272)	–	(2,823)
At 31st March, 2006 and 1st April, 2006	187	28,652	10,075	1,381	482	–	40,777
Exchange adjustments	402	224	1,302	193	241	–	2,362
Provided for the year	8,766	7,439	1,946	1,492	1,154	–	20,797
Eliminated on disposals	(2)	(673)	(1,450)	(76)	(1,036)	–	(3,237)
At 31st March, 2007	9,353	35,642	11,873	2,990	841	–	60,699
CARRYING VALUES							
At 31st March, 2005	2,706	42,315	13,651	3,785	1,896	–	64,353
At 31st March, 2006	5,639	21,391	4,292	3,491	3,814	–	38,627
At 31st March, 2007	198,901	16,231	15,394	5,240	6,367	37,823	279,956

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	4% or over the remaining terms of the relevant lease, if shorter
Leasehold improvements	Over the terms of the leases
Plant and machineries	5% - 15%
Furniture, fixtures and equipment	10% - 33 $^1/_3$%
Motor vehicles	10% - 20%

At 31st March, 2006, the directors conducted a review of the recoverable amount of the Group's manufacturing assets and determined that a number of those assets were impaired. Accordingly, impairment losses of HK$17,478,000 and HK$8,373,000, respectively, had been recognised in respect of leasehold improvements and plant and machineries, which were used in the Group's medicine and health food segment. Details of impairment test in respect of this segment are set out in note 19.

The buildings of the Group were situated on land held under medium-term lease in the PRC.

At 31st March, 2005, 2006 and 2007, the carrying values of property, plant and equipment of the Group included amounts of HK$127,000, HK$198,000 and HK$101,000, respectively, in respect of assets held under finance leases.

At 31st March, 2005 and 2006, the property, plant and equipment of the Group amounting to HK$11,959,000 and HK$2,902,000, respectively, were pledged to a bank to secure general banking facilities granted to the Group. The pledged property, plant and equipment was released upon the expiry of those general banking facilities during the year ended 31st March, 2007.

15. PREPAID LEASE PAYMENTS OF LEASEHOLD LAND

The Group's prepaid lease payments of leasehold land comprise:

	At 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Land use rights in the PRC on medium-term lease	1,395	1,405	99,252
Analysed for reporting purposes as:			
Current asset	30	30	2,480
Non-current asset	1,365	1,375	96,772
	1,395	1,405	99,252

16. PREMIUM ON PREPAID LEASE PAYMENTS OF LEASEHOLD LAND

The amount represents the premium on acquisition of prepaid lease payments for the rights to use land situated in the PRC on medium-term lease as a result of acquisition of Everight Investment Limited ("Everight") and its subsidiaries as set out in note 43, which is amortised on the same basis as the related prepaid lease payments of the relevant land use rights.

The movement of premium on prepaid lease payments is set out below:

	HK$'000
COST	
Acquired on acquisition of subsidiaries during the year ended 31st March, 2007 and balance at 31st March, 2007	134,029
AMORTISATION	
Charge for the year ended 31st March, 2007 and balance at 31st March, 2007	2,502
CARRYING VALUE	
At 31st March, 2007	131,527

17. INTANGIBLE ASSETS

	Development costs *HK$'000*
COST	
At 1st April, 2004	–
Arising on acquisition of subsidiaries *(note 43)*	1,264
Additions	1,467
Written off	(645)
At 31st March, 2005 and at 1st April, 2005	2,086
Additions	1,441
Written-off	(299)
At 31st March, 2006 and at 1st April, 2006	3,228
Additions	219
Written-off	(2,927)
At 31st March, 2007	520
AMORTISATION	
At 1st April, 2004	–
Provided for the year and balance at 31st March, 2005 and at 1st April, 2005	71
Provided for the year	171
At 31st March, 2006 and at 1st April, 2006	242
Provided for the year	225
Eliminated on written-off	(377)
At 31st March, 2007	90
CARRYING VALUES	
At 31st March, 2005	2,015
At 31st March, 2006	2,986
At 31st March, 2007	430

The development costs of HK$1,467,000, HK$1,441,000 and HK$219,000 for each of the three years ended 31st March, 2005, 2006 and 2007, respectively, incurred on Chinese medicines and pharmaceutical products are internally generated. They have definite useful lives and amortised, using the straight-line method, over a period of five years from the date of commencement of commercial operation.

At 31st March, 2005, 2006, 2007, other than the amount of HK$439,000, HK$1,833,000 and HK$69,000, respectively, which related to products in the stage of development, the remaining intangible assets had been put into commercial use.

18. GOODWILL

	HK$'000
COST	
Arising on acquisition of subsidiaries and at 31st March, 2005 and 1st April, 2005	22,936
Elimination of accumulated amortisation upon the application of HKFRS 3	(1,051)
At 31st March, 2006 and 31st March, 2007	21,885
AMORTISATION	
Charge for the year and balance at 31st March, 2005 and at 1st April, 2005	1,051
Elimination of accumulated amortisation upon the application of HKFRS 3	(1,051)
At 31st March, 2006 and 31st March, 2007	–
IMPAIRMENT	
Impairment loss recognised for the year and balance at 31st March, 2006 and 31st March, 2007	21,885
CARRYING VALUES	
At 31st March, 2005	21,885
At 31st March, 2006 and 31st March, 2007	–

Particulars regarding impairment testing on goodwill are disclosed in note 19.

Until 31st March, 2005, goodwill had been amortised over its estimated useful life of 20 years.

19. IMPAIRMENT TEST ON GOODWILL

At 31st March, 2006, the Group used business segment, as explained in note 52, as its primary segment for reporting segment information. For the purpose of impairment testing, goodwill which arose from the acquisition of TFH, had been allocated to a cash generating unit (the "CGU") of medicine and health foods segment.

The recoverable amount of the CGU had been determined based on a value in use calculation. That calculation used cash flow projections for a 5-year period based on financial budgets approved by management covering a 1-year period and discount rate of 8%. The CGU's cash flows beyond the 1-year period were extrapolated using a steady 4% growth rate. This growth rate was based on the relevant industry growth rate forecasts. Other key assumptions for the value in use calculations were the terminal value at the end of the fifth year, which was determined based on the price earnings ratio by reference to the market, and the budgeted gross margin, which was determined based on the unit's past performance and management's expectations for the market development. Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

Since the recoverable amount was lower than the carrying amount of the CGU, the Group recognised an impairment loss of HK$21,885,000 on goodwill and HK$25,851,000 on related property, plant and equipment for the year ended 31st March, 2006.

On 27th February, 2007, the Company entered into a conditional agreement with a third party to dispose of the entire interest in TFH as set out in note 50(a).

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	At 31st March,		
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Listed investments:			
– Equity securities listed in Hong Kong	–	–	54,066
– Equity securities listed elsewhere	–	–	75,970
	–	–	130,036

21. INTERESTS IN ASSOCIATES

	At 31st March,		
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Cost of investment in associates, unlisted	–	5	6,807
Share of post-acquisition (losses) profits, net of dividend received	–	(5)	87,072
	–	–	93,879

Notes:

(i) On 29th March, 2006, the Group entered into an acquisition agreement with Pacific Wish Limited ("Pacific Wish") (the "Acquisition Agreement"), a company incorporated in the BVI in relation to the acquisition of 280 shares in Orient Town Limited ("Orient Town"), representing 40% of the issued share capital of Orient Town for a cash consideration of HK$280, being the nominal value of the 280 shares of Orient Town (the "Orient Town Acquisition"). Orient Town is a company incorporated in Hong Kong and its principal asset is its indirect shareholding interest in a subsidiary, namely Empresa De Fomento Industrial E Comercial Concórdia, S.A. 聯生發展股份有限公司 ("Concordia"), a company incorporated in Macau, which previously held the leasehold interests of 14 parcels of land (the "Leasehold Interests") situated in Estrada de Seac Pai Van, Macau 澳門路環聯生填海區. The lease terms of the Leasehold Interests was expired in 2000. Concordia is in the process of renewing the lease terms. Pursuant to the Orient Town Acquisition, the Group undertook to advance to Orient Town by way of shareholder's loan in the amount of HK$885,000,000, of which a deposit of HK$240,000,000 was paid during the year ended 31st March, 2006, for financing part of the working capital requirement of Orient Town.

As further consideration for the Group agreeing to enter into the Acquisition Agreement, Pacific Wish had granted the Group an option to purchase all or any of the 70 shares of Orient Town (the "Option Shares"), representing 10% of the issued share capital of Orient Town held by Pacific Wish (the "Call Option"). Pursuant to the Call Option, the Group had the right to require Pacific Wish, from time to time within the one year following the completion date of the Orient Town Acquisition (the "Exercise Period"), to sell all or any part of the Option Shares to the Group or its nominee(s) at the aggregate nominal value of the Option Shares. The Call Option was measured at cost less impairment because the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that its fair value could not be measured reliably.

Pursuant to the Orient Town Acquisition, Pacific Wish undertook not to dispose of any shares in Orient Town held by it within the Exercise Period unless (a) the prior written consent of the Group has been obtained; and (b) Pacific Wish had undertaken to the Group to pay to the Group half of the consideration on disposal of shares in Orient Town (the "Disposal") to potential purchaser by Pacific Wish. In the event of the Disposal, the number of Option Shares would be reduced by half of the number of shares subject to the Disposal.

After the completion of Orient Town Acquisition on 15th June, 2006, the Group granted a consent to Pacific Wish for disposal of 105 shares of Orient Town held by Pacific Wish to a purchaser, pursuant to which the purchaser had the right to require Pacific Wish to sell to the purchaser additional 70 shares in addition to the 105 shares of Orient Town. The Group agreed that the number of Option Shares were reduced by half and compensated by HK$23,370,000, after deduction of transaction costs, was recognised in the consolidated income statement during the year ended 31st March, 2007.

During the year ended 31st March, 2007, the Group has exercised its right to purchase 35 Option Shares from Pacific Wish for a cash consideration of HK$35, being the nominal value of the 35 shares of Orient Town. Upon the completion of exercise of the call option, the Group undertook to further advance to Orient Town by way of shareholder's loan in the amount of HK$93,000,000, for financing partial repayment of shareholder's loan to Pacific Wish by Orient Town.

As stated in the announcement dated 14th June, 2007, offer for renewal of the lease terms of the Leasehold Interests by way of termination of the lease and grant of a new concession had been granted by the Government of Macau and accepted by Concordia in June 2007 at an additional land premium of approximately MOP578.4 million (equivalent to approximately HK$561.6 million). The new concession is subject to official endorsement by the Government of Macau.

(ii) On 6th October, 2006, the Group entered into a subscription agreement to subscribe for 4,000 new ordinary shares of US$ 1 each in More Profit International Limited ("More Profit") for a cash consideration of US$4,000 (equivalent to approximately HK$32,000), representing 40% of the issued share capital of More Profit as enlarged by the subscription shares of 5,000 new shares at US$1 each in More Profit, and to provide a shareholder's loan of HK$248,000,000 to More Profit. More Profit is an investment holding company incorporated in the British Virgin Islands with limited liability. On the same date, More Profit entered into an acquisition agreement to acquire 50% interest in Great China Company Limited ("Great China") which is a company incorporated in Macau with limited liability and is the owner of a land situated in Su da Marina Taipa-Sul Junto a Rotunda do Dique-Oeste, Macau and a hotel complex erected on the land. The acquisition was completed on 1st February, 2007.

Included in the cost of interest in associates is goodwill of HK$1,701,000 arising on acquisition of associates during the year ended 31st March, 2007 (2005 and 2006: Nil).

At 31st March, 2005, 2006 and 2007, the Group had interest in the following associates:

Name of associate	Form of business structure	Place of incorporation/ operation	Class of shares held *(Note)*	Nominal value of issued and fully paid share capital 2005	2006	2007	Proportion of nominal value of issued share capital held by the Company Directly %	Indirectly %	Principal activity
Jean-Bon Pharmaceutical Technology Company Limited ("Jean-Bon")	Incorporated	Hong Kong	Ordinary	HK$2	HK$10,000	HK$10,000	–	50	Inactive
Orient Town	Incorporated	Hong Kong	Ordinary	–	–	HK$700	–	45	Investment holding
Best Profit Holdings Limited	Incorporated	Hong Kong	Ordinary	–	–	HK$1,000	–	31.5	Investment holding
Concordia	Incorporated	Macau	Quota capital	–	–	MOP100,000,000	–	26.8	Property development
Giant Energy Limited	Incorporated	Hong Kong	Ordinary	–	–	HK$1	–	45	Investment holding
Macau Properties Holdings Limited	Incorporated	Hong Kong	Ordinary	–	–	HK$1	–	45	Investment holding
Orient Town Project Management Limited	Incorporated	Macau	Quota Capital	–	–	MOP25,000	–	45	Property project management
San Lun Mang Investimentos, Limitada	Incorporated	Macau	Quota Capital	–	–	MOP100,000	–	31.5	Investment holding
More Profit	Incorporated	British Virgin Islands	Ordinary	–	–	US$10,000	–	40	Investment holding
Great China	Incorporated	Macau	Quota Capital	–	–	MOP100,000	–	20	Investment property holding

Note: Quota capital represents the Portuguese equivalence of registered capital as Portugnese is the official language of Macau.

The summarised combined financial information in respect of the Group's associates is set out below:

	At 31st March, 2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Total assets	–	–	3,145,540
Total liabilities	17	16	3,067,243
Net (liabilities) assets	(17)	(16)	78,297
Group's share of net (liabilities) assets of associates	–	–	92,178

	1.7.2004 to 31.3.2005 HK$'000	1.4.2005 to 31.3.2006 HK$'000	1.4.2006 to 31.3.2007 HK$'000
Turnover	–	–	–
(Loss) profit for the year	(17)	(9)	99,569
Group's share of results of associates for the year	–	(5)	40,916

The Group has discontinued recognition of its share of losses of associates. The amounts of unrecognised share of losses of those associates, extracted from the relevant management accounts of the associates, both for the year and cumulatively, are as follows:

	Year ended 31st March,		
	2005	2006	2007
	HK$'000	HK$'000	HK$'000
Unrecognised share of losses of associates for the year	–	–	(1,353)
Accumulated unrecognised share of losses of associates	–	–	(1,353)

22. UNSECURED LOANS AND INTEREST DUE FROM ASSOCIATES/AMOUNTS DUE FROM ASSOCIATES

Unsecured loans and interest due from associates

	At 31st March,		
	2005	2006	2007
	HK$'000	HK$'000	HK$'000
Loans to associates	–	–	1,226,237
Interest receivables	–	–	59,288
	–	–	1,285,525
Less: Loss allocated in excess of cost of investment	–	–	(51,082)
	–	–	1,234,443

The loans to associates are unsecured, bear interest at Hong Kong Prime Rate and have no fixed repayment terms. The effective interest rates of the loans to associates are ranging from 7.75% to 8% per annum. In the opinion of the directors, the amounts will not be repaid within twelve months from the balance sheet date and the amount was therefore classified as non-current assets.

Amounts due from associates

	At 31st March, 2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from associates	17	14	83
Less: Allowance	(17)	(14)	(15)
	–	–	68

The amounts due from associates are unsecured, interest free and repayable on demand.

23. DEPOSIT AND EXPENSES PAID FOR ACQUISITION OF A LAND USE RIGHT

On 22nd March, 2007, Wealthy First Investment Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong, entered into an acquisition agreement with independent third parties in relation to the acquisition of a land use right in the PRC for a cash consideration of RMB50,964,000 (equivalent to HK$51,479,000). The balance at 31st March, 2007 represents deposit paid for the acquisition.

24. DEPOSITS AND EXPENSES PAID FOR ACQUISITION OF SUBSIDIARIES AND ASSOCIATES

		At 31st March, 2005	2006	2007
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Deposits and expenses paid for acquisition of:				
Subsidiaries	*(i)*	–	12,099	–
Associates	*(ii)*	–	241,865	90,675
		–	253,964	90,675

Notes:

(i) As stated in the announcement on 7th February, 2006 and the circular dated 26th April, 2006, New Smarten Limited, an indirect wholly-owned subsidiary of the Company entered into an acquisition agreement dated 2nd February, 2006 with Green Label Investments Limited ("Green Label"), Concord Link Development Limited, Magnum Company Limited and Mr. Ku Yuet Kan, Tony (collectively referred to as the "Vendors") and Mr. Chan Jink Chou, Eric and Mr. Lai Tsan Tung, David ("Mr. Lai") (collectively referred to as the "Guarantors") in relation to the acquisition of the entire interest in Everight, a company incorporated in Hong Kong with limited liability, and the loan owed by Everight and its subsidiaries (the "Everight Group") to Green Label for an aggregate consideration of HK$140,000,000 (the "Acquisition"), of which HK$80,000,000 was satisfied by cash and HK$60,000,000 by issue of zero coupon convertible notes due on 11th August, 2010.

The Everight Group was engaged in the development and operation of a golf resort and hotel and property development. Upon completion of the Acquisition, Everight became an indirect wholly-owned subsidiary of the Company. The Acquisition was approved by shareholders at a special general meeting held on 23rd May, 2006 and was completed on 8th June, 2006.

As at 31st March, 2006, the Group paid a deposit of HK$5,000,000 for the Acquisition and the remaining balance of HK$7,099,000 was paid as expenses incurred for the Acquisition. During the year ended 31st March, 2007, the Acquisition was completed and the deposit was transferred to cost of acquisition of subsidiaries as set out in note 43.

(ii) The amount at 31st March, 2006 represented deposits and certain expenses incurred for the acquisition of Orient Town as set out in note 21(i). During the year ended 31st March, 2007, the amounts of HK$1,865,000 and HK$240,000,000 were transferred to the cost of acquisition of associates and loans due from associates, as set out in notes 21(i) and 22, respectively, upon the completion of the Orient Town Acquisition.

As stated in the announcement on 1st February, 2007 and the circular dated 7th March, 2007, Top Century International Limited ("Top Century"), an indirect wholly-owned subsidiary of the Company incorporated in the British Virgin Islands, entered into an acquisition agreement dated 25th January, 2007 (the "Concordia Acquisition Agreement") with Forever Charm Group Limited ("Forever Charm"), an existing shareholder of Concordia holding 11.3% interest in Concordia, in relation to the acquisition of 8,700 shares in Concordia, representing 8.7% of the registered share capital of Concordia as at 2nd March, 2007 (the "Latest Practicable Date "), from Forever Charm and a shareholder's loan due by Concordia to Forever Charm in the principal sum of approximately MOP40,800,000 (equivalent to approximately HK$39,600,000) together with all interests accrued thereon, which amounted to approximately MOP73,500,000 (equivalent to approximately HK$71,400,000) as at the Latest Practicable Date, for a total cash consideration of approximately HK$245,700,000 (the "Concordia Acquisition").

Pursuant to the Concordia Acquisition Agreement, Top Century further undertook to advance to Concordia a shareholder's loan of not more than HK$70,000,000 after the completion of the Concordia Acquisition Agreement.

At the Latest Practicable Date, Top Century was effectively interested in 31.5% of the issued share capital of San Lun Mang Investimentos, Limitada ("XLM"), which in turn was the owner of 85% of the registered share capital of Concordia. Upon the completion of the Concordia Acquisition, the Company would have an effective interest in approximately 35.5% of the registered share capital of Concordia and Concordia will remain as an associate of the Group.

At 31st March, 2007, the Group paid approximately HK$90,675,000 for the Concordia Acquisition, of which HK$90,000,000 was used to satisfy the consideration of the Concordia Acquisition and the remaining balance of approximately HK$675,000 was used as expenses incurred for the Concordia Acquisition. The Acquisition has not yet been completed at the date of this report.

25. DEPOSITS AND EXPENSES PAID FOR ACQUISITION OF INVESTMENT PROPERTIES

As stated in the announcement dated 21st November, 2006 and the circular dated 18th December, 2006, the Company had accepted an offering letter (the "Offering Letter") from The First International Property Planning & Management Company Limited ("First International") in relation to the acquisition of 44 residential units in Macau at a consideration of approximately HK$88,520,000. An amount of HK$5,000,000 had been paid as initial deposit upon the acceptance of the Offering Letter.

Pursuant to the Offering Letter, Hayton Limited, an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with First International in relation to the acquisition of the properties on 11th December, 2006. An additional amount of HK$21,556,000 had been paid as further deposit upon signing of the sale and purchase agreement.

At 31st March, 2007, the amount represented deposits and certain expenses incurred for the acquisition. The acquisition was completed on 30th April, 2007. In the opinion of the directors of the Company, the properties will be held for rental purposes subsequent to the completion of the acquisition and therefore will be classified as investment properties.

26. OTHER LOAN RECEIVABLES

	At 31st March,		
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Fixed-rate loan receivables	–	4,635	9,634
Variable-rate loan receivables	31,500	59,314	256,495
	31,500	63,949	266,129
Carrying amount analysed for reporting purposes:			
Current assets (receivable within 12 months from the balance sheet date)	31,500	59,314	256,495
Non-current assets (receivable after 12 months from the balance sheet date)	–	4,635	9,634
	31,500	63,949	266,129

At 31st March, 2005, all the Group's loan receivables are denominated in Hong Kong dollars. The variable rate loans are unsecured, carry interest at Hong Kong Prime Rate plus 2% per annum and are repayable on demand. The effective interest rates of other loan receivables are ranging from 7.00% to 7.25% per annum.

At 31st March, 2006, the Group's loan receivables of HK$59,314,000 and HK$4,635,000 were denominated in Hong Kong dollars and US dollars, respectively. The fixed rate loan is unsecured, carries interest at 3% per annum and repayable on 6th October, 2008. The variable-rate loans are unsecured, carry interest at Hong Kong Prime Rate plus 2% per annum and are repayable on demand. The effective interest rates of other loan receivables are ranging from 7.25% to 10% per annum.

At 31st March, 2007, the Group's fixed-rate loan receivables are denominated in US dollars, which is not the functional currencies of the relevant group entities and carries interest from 3% to 8%. Amounts of HK$4,635,000 and HK$4,999,000 are repayable on 5th October, 2008 and 6th December, 2008, respectively. Included in the fixed-rate loan receivables is a loan receivable of HK$4,999,000, which is secured by 25,000,000 shares of a private limited company incorporated in Malaysia, with a nominal value of RM0.25 per share. The remaining fixed-rate loan receivables are unsecured.

Except for a loan of HK$20,000,000 which carries interest at the higher of Hong Kong Prime Rate or 4% per annum, is secured by the borrower's investment in convertible note with a principal amount of HK$20,000,000 issued by a company whose shares are listed on the Stock Exchange and is repayable on 28th September, 2007, all remaining variable-rate loans are unsecured, carry interest at Hong Kong Prime Rate plus 2% per annum and are repayable on demand. The effective interest rates of other loan receivables are ranging from 7.75% to 10% per annum.

27. INVENTORIES/PROPERTIES UNDER DEVELOPMENT

Inventories

	At 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	16,792	20,423	20,185
Work in progress	1,588	1,018	829
Finished goods	40,900	49,418	54,559
Consumables	–	–	1,346
	59,280	70,859	76,919

Properties under development

Properties under development under current assets at 31st March, 2007 are expected to realise after twelve months from the balance sheet date.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Investments held-for-trading include:			
Listed securities:			
– Equity securities listed in Hong Kong	–	9,043	44,369
– Equity securities listed elsewhere	–	–	12,720
	–	9,043	57,089
Financial assets at fair value through profit or loss:			
Equity-linked notes	–	–	9,636
	–	9,043	66,725

At 31st March, 2006 and 2007, all financial assets at fair value through profit or loss are stated at fair value. The fair values of listed securities are determined based on the bid prices quoted in active and those of the equity-linked notes are based on fair values quoted by respective issuing banks or financial institutions.

Equity-linked notes are designated at fair value through profit or loss. During the year ended 31st March, 2007, the loss arising from the change in fair value of financial assets designated at fair value through profit or loss is recognised in the consolidated income statement of HK$206,000 (2005 and 2006: Nil).

29. INVESTMENTS IN SECURITIES

Investments in securities at 31st March, 2005 are set out below. Upon the application of HKAS 39, the investments in securities were reclassified on 1st April, 2005 to appropriate categories under HKAS 39 (see note 3 for details).

	Other investments
	HK$'000
Equity securities:	
Listed in Hong Kong, at market value	10,289

30. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows credit period ranging from 0 to 30 days to its trade customers.

The following is an analysis of debtors, deposits and prepayments at the balance sheet date:

	At 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Trade debtors aged:			
0 – 60 days	16,336	19,309	35,555
61 – 90 days	11,336	528	1,118
Over 90 days	–	1,537	13,361
	27,672	21,374	50,034
Refundable earnest money *(Note)*	–	150,136	362,075
Other receivable *(note 43)*	–	–	17,721
Other debtors, deposits and prepayments	10,608	21,855	46,897
	38,280	193,365	476,727

Note:

In June 2005, a wholly-owned subsidiary of the Company and an independent third party ("Vendor A") signed a non-binding letter of intent with a view of negotiating a possible acquisition from Vendor A of 50% of its ownership and interest in certain land located in Macau which was initially intended for redevelopment purposes, at an initial consideration of HK$495,000,000. Upon signing of the letter of intent, an amount of HK$10,000,000 was paid by the Group as refundable earnest money.

At 31st March, 2006, included in refundable earnest money was an amount of HK$140,000,000, which was paid by the Group with a view of negotiating possible acquisition of ownership and interest in properties located in PRC and was fully refunded to the Group during the year ended 31st March, 2007.

In March 2007, a wholly-owned subsidiary of the Company and an independent third party ("Vendor B") signed a non-binding letter of intent with a view of negotiating a possible acquisition from Vendor B and a party as procured by Vendor B ("Vendor C") of their aggregate interests of 67.5% in a company which was established in the PRC and is engaged in development and operation of golf resort (the "PRC Company"), and of shareholders' loans due by the PRC Company to Vendor B and Vendor C of approximately US$14,000,000 (equivalent to approximately HK$109,200,000). Upon signing of the letter of intent, an amount of US$2,800,000 (equivalent to approximately HK$21,884,000) was paid by the Group as refundable earnest money.

On 28th December, 2006 and 21st March, 2007, further amounts of refundable earnest money of approximately HK$170,000,000 and HK$160,191,000, respectively, were paid by the Group with a view of negotiating possible acquisition of ownership and interest in properties located in the PRC.

No formal agreements in respect of the possible acquisitions have been entered into up to the date of this report. In the opinion of the directors of the Company, the possible acquisitions may or may not materialise and fully refundable, therefore, the refundable earnest money is classified as current asset accordingly.

31. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

The amount represents deposits pledged to banks to secure general banking facilities granted to the Group. The deposits carry interest at 1.30%, 3.15% and 4.20% per annum at 31st March, 2005, 2006 and 2007, respectively.

Bank balances and cash

The bank balances carry interest at rates ranging 0.25% to 1.30%, 1.30% to 4.00% and 2.50% to 5.10% per annum at 31st March, 2005, 2006 and 2007, respectively.

32. CREDITORS, DEPOSITS AND ACCRUED CHARGES

The following is an analysis of creditors, deposits and accrued charges at the balance sheet date:

	At 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Trade creditors aged:			
0 – 60 days	20,206	22,496	61,825
61 – 90 days	20,037	21,329	8,956
Over 90 days	4,470	8,138	9,245
	44,713	51,963	80,026
Other creditors, deposits and accrued expenses	18,059	18,274	78,921
	62,772	70,237	158,947

33. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments At 31st March,			Present value of minimum lease payments At 31st March,		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under finance leases:						
Within one year	36	162	36	23	143	24
In the second to fifth years inclusive	122	127	91	119	96	71
	158	289	127	142	239	95
Less: Future finance charges	(16)	(50)	(32)	–	–	–
Present value of lease obligations	142	239	95	142	239	95
Less: Amount due within one year shown under current liabilities				(23)	(143)	(24)
Amount due after one year				119	96	71

It is the Group's policy to lease certain motor vehicles and fixtures and equipment under finance leases. The average lease term is approximately four years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 7.5% to 9.2% per annum for each of the three years ended 31st March, 2005, 2006 and 2007.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets.

34. PROMISSORY NOTE PAYABLES

The promissory note payables of the Group at 31st March, 2005 were unsecured, bore interest at 5.5% per annum and were fully repaid on 6th May, 2005.

35. CONVERTIBLE NOTE PAYABLES

(a) On 23rd February, 2005, the Company issued HK$100 million 2% unsecured convertible notes due 2008 at conversion price of HK$0.42 (subject to adjustments). The convertible note payables carried interest at 2% per annum, would mature on 23rd February, 2008 (or the next following business day if it was not a business day) and were transferable but might not be transferred to a connected person of the Company without prior written consent of the Company. The holders of the convertible note payables had the rights to convert the convertible notes into shares of HK$0.01 each of the Company at any time during the period from 23rd February, 2005 to 23rd February, 2008.

During the year ended 31st March, 2005, HK$10 million 2% unsecured convertible notes due 2008 were converted into 23,809,520 ordinary shares of HK$0.01 each in the capital of the Company at a conversion price of HK$0.42 as set out in note 41(3). At 31st March, 2005, HK$90 million 2% unsecured convertible notes due 2008 were outstanding.

During the year ended 31st March, 2006, HK$43.3 million and HK$46.7 million 2% unsecured convertible notes due 2008 were converted into 103,197,616 and 112,698,063 ordinary shares of HK$0.01 each in the capital of the Company at conversion prices of HK$0.42 and HK$0.414, respectively, as set out in note 41(4). At 31st March, 2006, all the HK$100 million 2% unsecured convertible notes due 2008 were fully converted.

(b) On 8th April, 2005, the Company entered into seven subscription agreements with seven subscribers. On 20th April, 2005, the Company entered into another two subscription agreements and a placing agreement with two subscribers and a placing agent, respectively. Each of the subscription agreements and the placing agreement were not inter-conditional on each other.

Of the nine subscribers, seven of them were subscribers who were funds managed by global asset management firms (the "Fund Subscribers"), with the remaining two subscribers being Loyal Concept Limited ("Loyal Concept") and Kopola Investment Company Limited ("Kopola"). Pursuant to the subscription agreements, the Fund Subscribers in aggregate, Loyal Concept and Kopola had agreed to subscribe by cash for HK$956 million unsecured zero coupon convertible notes due 2010 issued by the Company pursuant to the subscription agreements (the "First 2010 Convertible Notes") with principal amounts of HK$356 million, HK$450 million and HK$150 million, respectively (the "Subscription"). Loyal Concept is an indirect wholly-owned subsidiary of Hanny Holdings Limited ("Hanny"), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange. Loyal Concept and Hanny were then not connected persons of the Company. Kopola was 50% held by each of Mr. Ho Hau Chong, Norman ("Mr. Ho"), the deputy chairman and non-executive director of the Company and his brother, Mr. Ho Hau Hay, Hamilton, and therefore an associate of Mr. Ho.

Pursuant to the placing agreement, the placing agent would procure not less than six placees to subscribe by cash for HK$44 million unsecured zero coupon convertible notes due 2010 proposed to be issued by the Company (the "Placing Convertible Notes") pursuant to the placing agreement with a principal amount of HK$44 million (the "Placing"). The terms of the First 2010 Convertible Notes and Placing Convertible Notes were identical. None of the placees would be the subscribers.

Upon full conversion of the First 2010 Convertible Notes at the initial conversion price of HK$0.44 per ordinary share of HK$0.01 each in the share capital of the Company (subject to anti-dilutive adjustments), a total of 2,172,727,272 new ordinary shares, which would fall to be issued by the Company upon the exercise of the conversion rights attached to the First 2010 Convertible Notes, would be issued.

Upon full conversion of the Placing Convertible Notes at the initial conversion price of HK$0.44 per share (subject to anti-dilutive adjustments), a total of 100,000,000 new ordinary shares, which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Placing Convertible Notes, would be issued.

The First 2010 Convertible Notes and the Placing Convertible Notes, unless converted prior to their maturity under the conditions specified in the relevant notes documents, will be redeemed at 110% of their principal amounts.

The Subscription and the Placing were completed on 11th August, 2005. The total gross proceeds from the Subscription and the Placing amounted to HK$956 million and HK$44 million, respectively. Therefore, the total gross proceeds from the Subscription and the Placing amounted to HK$1,000 million. After deducting related expenses of approximately HK$11 million, approximately HK$989 million would be used to finance the expansion of the investment property portfolio of the Group.

During the year ended 31st March, 2006, HK$21.5 million and HK$2.5 million of the First 2010 Convertible Notes and the Placing Convertible Notes were converted, respectively, into 48,863,636 and 5,681,817 ordinary shares of HK$0.01 each in the capital of the Company at the conversion price of HK$0.44 as set out in note 41(4). The remaining HK$934.5 million and HK$41.5 million of the First 2010 Convertible Notes and Placing Convertible Notes, respectively, were outstanding at 31st March, 2006.

During the year ended 31st March, 2007, HK$354 million and HK$40 million of the First 2010 Convertible Notes and the Placing Convertible Notes were converted, respectively, into 804,431,812 and 90,909,090 ordinary shares of HK$0.01 each in the capital of the Company at the conversion price of HK$0.44 as set out in note 41(5). The remaining HK$580.5 million and HK$1.5 million of the First 2010 Convertible Notes and Placing Convertible Notes, respectively, were outstanding at 31st March, 2007.

(c) On 8th June, 2006, the Company issued HK$60 million unsecured zero coupon convertible notes due 2010 (the "Second 2010 Convertible Notes") at an initial conversion price of HK$0.44 (subject to anti-dilutive adjustments) for settlement of consideration on acquisition of Everight as set out in note 43. The Second 2010 Convertible Notes is non-interest bearing and will mature on 11th August, 2010. The holders of the convertible note payables have the right to convert the Second 2010 Convertible Notes into shares of HK$0.01 each of the Company at any time during the period from 8th June, 2006 to 11th August, 2010.

Unless previously converted, the Company will redeem the convertible note payables on the maturity date at the redemption amount of 108.3% of the principal amount of the convertible notes then outstanding.

Upon full conversion of the Second 2010 Convertible Notes at the initial conversion price of HK$0.44 per ordinary share of HK$0.01 each in the share capital of the Company (subject to anti-dilutive adjustments), a total of 136,363,636 new ordinary shares, which would fall to be issued by the Company upon the exercise of the conversion rights attached to the Second 2010 Convertible Notes, would be issued.

During the year ended 31st March, 2007, none of the Second 2010 Convertible Notes were converted.

(d) On 15th June, 2006, the Company issued HK$1,000 million unsecured 1% convertible notes due 2011 ("2011 Convertible Notes") at an initial conversion price of HK$0.70 (subject to anti-dilutive adjustments). The 2011 Convertible Notes bear interest at 1% per annum and will mature on 19th June, 2011. The holders of the convertible note payables have the right to convert the 2011 Convertible Notes into shares of HK$0.01 each of the Company at any time during the period from 15th June, 2006 to 19th June, 2011.

Unless previously converted, the Company will redeem the convertible note payables on the maturity date at the redemption amount of 110% of the principal amount of the convertible notes then outstanding.

Upon full conversion of the 2011 Convertible Notes at the initial conversion price of HK$0.70 per ordinary share of HK$0.01 each in the share capital of the Company (subject to anti-dilutive adjustments), a total of 1,428,571,429 new ordinary shares, which would fall to be issued by the Company upon the exercise of the conversion rights attached to the 2011 Convertible Notes, would be issued.

During the year ended 31st March, 2007, none of the 2011 Convertible Notes were converted.

The convertible note payables contain two components, liability and equity elements. Upon the application of HKAS 32 "Financial Instruments: Disclosure and Presentation" (see note 3 for details), the convertible note payables were split between the liability and equity elements, on a retrospective basis. The equity element is presented in equity under the heading of "convertible loan notes equity reserve". The effective interest rates of the convertible note payables at 31st March, 2005, 2006 and 2007 are 4.18% per annum, ranging from 4.18% to 5.85% per annum and ranging from 5.85% to 9.16% per annum, respectively.

The movement of the liability component of the convertible note payables for the Relevant Periods is set out below:

	At 31st March,		
	2005	**2006**	**2007**
	HK$'000 (restated)	*HK$'000*	*HK$'000*
Liability component at the beginning of the year	–	84,983	838,462
Issue of convertible notes	109,035	827,953	780,086
Conversion during the year	(24,407)	(106,590)	(339,248)
Interest charge *(note 9)*	543	33,372	89,321
Interest paid	(188)	(1,256)	(221)
Liability component at the end of the year	84,983	838,462	1,368,400
Analysed for reporting purposes as:			
Current liability	180	221	7,945
Non-current liability	84,803	838,241	1,360,455
	84,983	838,462	1,368,400

36. AMOUNTS DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

37. BANK AND OTHER BORROWINGS

	At 31st March, 2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Bank loans, secured	37,625	30,125	93,902
Trust receipt and import loans, secured	16,582	15,045	25,618
Other borrowings, unsecured	13,564	–	–
	67,771	45,170	119,520
The maturity profile of the above loans and borrowings is as follows:			
Within one year or on demand	62,146	45,170	111,439
More than one year, but not exceeding two years	5,625	–	4,040
More than two years, but not exceeding three years	–	–	2,021
More than three years but not exceeding four years	–	–	2,020
	67,771	45,170	119,520
Less: Amount due within one year shown under current liabilities	(62,146)	(45,170)	(111,439)
Amount due after one year	5,625	–	8,081

Bank borrowings comprise	Maturity date	Contractual interest rate	Carrying amount At 31st March, 2005	2006	2007
			HK$'000	*HK$'000*	*HK$'000*
Variable-rate borrowings:					
HIBOR plus 2% secured HK$ bank loan *(notes i & ii)*	10th December, 2006	HIBOR + 2%	13,125	5,625	–
HIBOR plus 1.75% secured HK$ bank loan *(note ii)*	31st July, 2007 *(note iii)*	HIBOR + 1.75%	24,500	24,500	24,500
HIBOR plus 0.75% secured HK$ bank loan *(note ii)*	11th May, 2007	HIBOR + 0.75%	–	–	3,787
HIBOR plus 1% secured HK$ bank loan *(note ii)*	Revolving	HIBOR + 1%	–	–	5,009
Secured bank loan of RMB12,000,000 at prevailing market rate in the PRC *(notes ii and iv)*	31st October, 2010	Prevailing market rate in the PRC	–	–	12,121
Secured bank loan of RMB18,000,000 at prevailing market rate in the PRC *(note ii)*	10th September, 2007	Prevailing market rate in the PRC	–	–	18,182
			37,625	30,125	63,599

Bank borrowings comprise	Maturity date	Contractual interest rate	Carrying amount At 31st March, 2005	2006	2007
			HK$'000	*HK$'000*	*HK$'000*
Fixed-rate borrowings:					
6.696% secured bank loan of RMB11,000,000	13th September, 2007	6.696%	–	–	11,111
6.728% secured bank loan of RMB13,000,000	19th July, 2007	6.728%	–	–	13,132
8.064% secured bank loan of RMB6,000,000	4th August, 2007	8.064%	–	–	6,060
			–	–	30,303
			37,625	30,125	93,902

Notes:

(i) Repayable in three equal quarterly instalments of HK$1,875,000 each commencing on 10th June, 2006 through 10th December, 2006.

(ii) Interest will be repriced when HIBOR or prevailing market rate in the PRC is changed.

(iii) At 31st March, 2005 and 2006, the maturity date was 31st July, 2006. During the year ended 31st March, 2007, the maturity date was extended to 31st July, 2007.

(iv) Amounts of HK$4,040,000, HK$4,040,000, HK$2,021,000 and HK$2,020,000 will be repaid on 31st October, 2007, 31st October, 2008, 31st October, 2009 and 31st October, 2010 respectively.

At 31st March 2005, 2006 and 2007, secured trust receipts and import loans are repayable within one year from each of the respective balance sheet dates and carry interest at rates ranging from HIBOR plus 1% per annum to HIBOR plus 1.75% per annum. Interest is repricing monthly or quarterly.

At 31st March, 2005, the Group's unsecured other borrowings included fixed-rate borrowings of HK$7,940,000 which carried interest at 12% per annum and repaid on 30th May, 2005 and variable-rate borrowings of HK$5,624,000 which were unsecured and carried interest at HIBOR plus 2%. Variable-rate interest was repriced when HIBOR was changed. These borrowings were denominated in Hong Kong dollars.

The effective interest rates of bank borrowings are ranging from 2.03% to 4.66% per annum, 4.10% to 6.32% per annum and 4.48% to 6.38% per annum for each of the three years ended 31st March, 2005, 2006 and 2007, respectively.

38. UNSECURED LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

Except for a loan of HK$3,535,000 which is unsecured, carries interest at prevailing market rate of 6.14% in the PRC and is repayable on demand, the remaining amount is unsecured, interest-free and repayable on demand.

39. UNSECURED LOAN FROM A RELATED COMPANY

The loan is borrowed from 番禺高爾夫球協會 in which Mr. Lai, an executive director of the Company, is the Chairman of this association. The loan is unsecured, carries interest at 6% per annum and is repayable on demand.

40. DEFERRED TAX LIABILITIES

The following is the major deferred tax liabilities (asset) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	**Deferred development costs**	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2004	–	–	–	–
Arising on acquisition of subsidiaries	3,263	–	(3,263)	–
(Credit) charge to income for the year	(730)	353	377	–
At 31st March, 2005 and 1st April, 2005	2,533	353	(2,886)	–
(Credit) charge to income for the year	(2,533)	187	2,346	–
At 31st March, 2006	–	540	(540)	–
Charge (credit) to income for the year	3,352	(465)	303	3,190
Effect of change in tax rate charged to income for the year	7,275	–	(744)	6,531
Arising on acquisition of subsidiaries *(note 43)*	31,842	–	(954)	30,888
At 31st March, 2007	42,469	75	(1,935)	40,609

At 31st March, 2005, 2006 and 2007, the Group has unused tax losses of HK$679,816,000, HK$682,993,000 and HK$702,486,000, respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of HK$16,492,000, HK$3,086,000 and HK$8,554,000 of such losses at 31st March 2005, 2006 and 2007, respectively. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$663,324,000, HK$679,907,000 and HK$693,932,000 at 31st March 2005, 2006 and 2007, respectively. The Hong Kong tax losses of HK$679,816,000, HK$682,993,000 and HK$667,840,000 at 31st March, 2005, 2006 and 2007 may be carried forward indefinitely under current tax regulation in Hong Kong and all other tax losses at 31st March, 2007 will expire from 2007 to 2011.

At 31st March, 2005, 2006 and 2007, the Group had deductible temporary differences associated with property, plant and equipment of HK$216,000, HK$19,402,000 and HK$11,622,000, respectively. No deferred tax asset has been recognised in respect of such deductible temporary differences due to the unpredictability of future profit streams.

41. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
At 1st April, 2005, 31st March, 2006 and 31st March, 2007, at HK$0.01 each	40,000,000,000	400,000
Issued and fully paid:		
At 1st April, 2004, at HK$0.01 each	127,697,656	1,277
Exercise of share options *(note 1)*	1,155,000	12
Issue of shares *(note 2)*	175,000,000	1,750
Conversion of convertible notes *(note 3)*	57,142,851	571
At 1st April, 2005, at HK$0.01 each	360,995,507	3,610
Conversion of convertible notes *(note 4)*	270,441,132	2,704
At 31st March, 2006, at HK$0.01 each	631,436,639	6,314
Conversion of convertible notes *(note 5)*	895,340,902	8,953
Placement of shares *(note 6)*	833,332,000	8,334
Repurchase and cancellation of shares *(note 7)*	(47,795,000)	(478)
At 31st March, 2007, at HK$0.01 each	2,312,314,541	23,123

Notes:

(1) On 19th April, 2004, the Company issued 1,155,000 ordinary shares of HK$0.01 each for consideration of HK$0.207 per share upon exercise of share options granted to an employee. The shares issued rank pari passu with other shares in all respects.

(2) On 15th December, 2004, the Company entered into a share placing agreement with a placing agent for the placing of 150,000,000 new ordinary shares of HK$0.01 each in the capital of the Company at an issue price of HK$0.40 per share, on a best effort basis to not less than six placing share subscribers. On the same date, the Company also entered into a convertible note placing agreement with the placing agent for a placing of HK$100 million 2% convertible notes due 2008 at an initial conversion price of HK$0.42 per share, representing a discount of approximately 8.7% to the closing price of HK$0.46 per share as quoted on the Stock Exchange on 10th December, 2004, on a best effort basis to not less than six convertible note subscribers. The net proceeds of approximately HK$35 million and HK$90 million would be used to finance the repayment of certain short-term borrowings and the expansion of the Group's investment properties portfolio, respectively. The balance of HK$30 million would be used as general working capital. The new shares rank pari passu with other shares in issue in all respects.

On 28th December, 2004, the Company entered into another share placing agreement with a placing agent for a placing of 25,000,000 new ordinary shares of HK$0.01 each in the capital of the Company at an issue price of HK$0.81 per share, representing a discount of 19.0% to the price of HK$1.00 per share as quoted on the Stock Exchange on 23rd December, 2004 on a best effort basis to not less than six placees. The net proceeds of HK$19.25 million would be used as general working capital. These shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 31st August, 2004 and rank pari passu with all the other shares in issue in all respects.

(3) In December 2004 and February 2005, the HK$15,000,000 2% convertible notes due 2006 and the HK$10,000,000 2% convertible notes due 2008 were converted into 33,333,331 and 23,809,520 ordinary shares of HK$0.01 each in the capital of the Company at conversion prices of HK$0.45 and HK$0.42 per share, respectively. The new shares rank pari passu with all the other shares in issue in all respects.

(4) In April 2005, November 2005, February 2006 and March 2006, the HK$20,000,000, HK$6,623,000, HK$16,720,000 and HK$46,657,000 2% convertible notes due 2008 were converted into 47,619,046, 15,769,047, 39,809,523 and 112,698,063 ordinary shares of HK$0.01 each in the capital of the Company at conversion prices of HK$0.42, HK$0.42, HK$0.42 and HK$0.414 per share, respectively. In February 2006 and March 2006, the HK$2,500,000 and HK$21,500,000 of the Placing Convertible Notes and the First 2010 Convertible Notes, respectively, were converted into 5,681,817 and 48,863,636 ordinary shares of HK$0.01 each in the capital of the Company at the conversion price of HK$0.44 per share. The new shares rank pari passu with all other shares in issue in all respects.

(5) In April 2006 and May 2006, the First 2010 Convertible Notes and the Placing Convertible Notes with an aggregate principal amount of HK$354,000,000 and HK$40,000,000 were converted into 804,431,812 and 90,909,090 ordinary shares of HK$0.01 each, respectively, in the Company at the conversion price of HK$0.44 per share. The new shares rank pari passu with all the other shares in issue in all respects.

(6) On 27th April, 2006, the Company entered into a share placing agreement with a placing agent for a placing of 833,332,000 new ordinary shares of HK$0.01 each in the Company at an issue price of HK$0.60 per share. The placement was approved by shareholders in a special general meeting held on 8th June, 2006. The net proceeds of approximately HK$487 million would be used to finance the expansion of the property portfolio and the existing property development projects of the Group. The new shares rank pari passu with all the other shares in issue in all respects.

(7) During the year ended 31st March, 2007, the Company repurchased a total of 47,795,000 ordinary shares of HK$0.01 each in the Company at an aggregate consideration of approximately HK$20 million, all of these shares were cancelled upon repurchase. The nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate consideration was paid out of the reserves of the Company.

During the year ended 31st March, 2007, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	**No. of ordinary shares HK$0.01 each**	**Price per share Highest**	**Price per share Lowest**	**Aggregate consideration paid**
		HK$	*HK$*	*HK$'000*
July 2006	4,505,000	0.490	0.350	2,011
August 2006	26,425,000	0.465	0.390	11,795
September 2006	16,865,000	0.405	0.345	6,287
				20,093

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Relevant Periods.

42. SHARE-BASED PAYMENT TRANSACTIONS

Scheme adopted on 28th February, 1994 (the "1994 Scheme")

The 1994 Scheme, having an original expiry date of 27th February, 2004, was adopted on 28th February, 1994 for the primary purpose of providing incentives to directors and eligible employees.

Pursuant to a resolution passed on 26th August, 2002, the 1994 Scheme was early terminated. After the termination of 1994 Scheme, no more share options can be granted under the scheme and the outstanding share options under it are remained exercisable until they expire.

At 31st March, 2006 and 2007, no option under the 1994 Scheme was outstanding.

Scheme adopted on 26th August, 2002 (the "2002 Scheme")

Following the termination of the 1994 Scheme in August 2002, the 2002 Scheme was adopted pursuant to a resolution passed on 26th August, 2002 for the primary purpose of providing incentives to eligible persons and will expire on 25th August, 2012. Under the 2002 Scheme, the Directors of the Company may grant share options to the following eligible persons to subscribe for shares in the Company:

(i) employees including executive directors of the Company, its subsidiaries and any companies in which the Company holds any equity interest; or

(ii) non-executive directors of the Company, its subsidiaries and any companies in which the Company holds any equity interest; or

(iii) suppliers or customers; or

(iv) consultants, advisers or agents.

Share options granted should be accepted within 28 days of the date of grant, upon payment of HK$1 per each grant of share options. The exercise price is determined at the highest of: (i) the closing price of the shares on the date of grant of the share option; or (ii) the average closing price of shares on the five trading days immediately preceding the date of grant or (iii) the nominal value of shares on the date of grant.

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Directors are empowered to impose at their discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the Directors at their absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

The maximum number of shares in respect of which share options under the 2002 Scheme may be granted when aggregated with the maximum number of shares in respect of which options may be granted under all the other schemes (the "Scheme Limit") is 10% of shares in issue on the adoption date of the 2002 Scheme. The Scheme Limit may be refreshed by a resolution in shareholders' meeting such that the total number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and any other schemes shall not exceed 10% of the shares in issue as at the date of such shareholders' approval. However, the Scheme Limit and any increase in the Scheme Limit shall not result in the number of shares which may be issued upon exercise of all outstanding share options granted under the 2002 Scheme and other schemes exceed 30% of the shares in issue from time to time. No person shall be granted a share option, within 12-month period of the date of grant, exceeds 1% of the shares in issue as at the date of grant.

At 31st March, 2005 and 2006, no option under the 2002 Scheme was granted or outstanding.

The following table discloses details of the Company's share options held by directors, employees and other participants, and movements in such holdings during the Relevant Periods:

For the year ended 31st March, 2005

Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.4.2004	Number of share options: Exercised during the year	Cancelled/ lapsed during the year	Outstanding at 31.3.2005
1994 Scheme						
Employees:						
19th June, 1997	19th June, 1997 to 18th June, 2007	21.84	4,800	–	–	4,800
2nd February, 1998	2nd February, 1998 to 1st February, 2008	2.00	2,000	–	–	2,000
17th November, 1999	17th November, 1999 to 16th November, 2009	2.34	10,500	–	–	10,500
14th March, 2000	14th March, 2000 to 13th March, 2010	6.60	10,000	–	–	10,000
			27,300	–	–	27,300
2002 Scheme						
Employees:						
7th January, 2004	9th January, 2004 to 8th January, 2014	0.207	1,155,000	(1,155,000)	–	–
			1,182,300	(1,155,000)	–	27,300

For the year ended 31st March, 2006

Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1.4.2005	Exercised during the year	Cancelled/ lapsed during the year	Outstanding at 31.3.2006
1994 Scheme						
Employees:						
19th June, 1997	19th June, 1997 to 18th June, 2007	21.84	4,800	–	(4,800)	–
2nd February, 1998	2nd February, 1998 to 1st February, 2008	2.00	2,000	–	(2,000)	–
17th November, 1999	17th November, 1999 to 16th November, 2009	2.34	10,500	–	(10,500)	–
14th March, 2000	14th March, 2000 to 13th March, 2010	6.60	10,000	–	(10,000)	–
			27,300	–	(27,300)	–

Details of options granted on 15th August, 2006 under the 2002 Scheme are as follows:

Share option granted	Date of grant	Vesting proportion	Exercisable period	Exercise price HK$
31,300,000	15th August, 2006	50%	15th August, 2006 to 14th August, 2008	0.50
		50%	15th August, 2007 to 14th August, 2008	0.50

For the year ended 31st March, 2007

Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1.4.2006	Granted during the year	Exercised during the year	Outstanding at 31.3.2007
2002 Scheme						
Employee and other participant:						
15th August, 2006	15th August, 2006 to 14th August, 2008	0.50	–	1,900,000	–	1,900,000
	15th August, 2007 to 14th August, 2008	0.50	–	1,900,000	–	1,900,000
Directors:						
15th August, 2006 *(Note)*	15th August, 2006 to 14th August, 2008	0.50	–	13,750,000	–	13,750,000
	15th August, 2007 to 14th August, 2008	0.50	–	13,750,000	–	13,750,000
			–	31,300,000	–	31,300,000

Note: The share options included 4,000,000 options granted to two executive directors of the Company before their appointment as executive directors.

There were no share options held by directors during the two years ended 31st March, 2005 and 2006 and at 31st March, 2005 and 2006.

For the year ended 31st March, 2005, the market price of the shares was HK$0.33 on the exercise date of the options.

The closing price of the Company's share immediately before 15th August, 2006, the date of grant of the options, was HK$0.445. The estimated fair value of the options granted during the year ended 31st March, 2007 was approximately HK$4,050,000 at the date of grant.

The fair values of the share options granted during the year ended 31st March, 2007 were calculated using the Binomial option pricing model. The inputs into the model were as follows:

Weighted average share price	HK$0.4400
Weighted average exercise price	HK$0.5000
Expected life of options	2 years
Expected volatility	56.21%
Expected dividend yield	Nil
Risk free rate	4.21%
Fair value per option	HK$0.1294

The Binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the management' best estimate. The value of an option varies with different variables of certain subjective assumptions. Expected volatility was determined by using the historical volatility of the Company's share price over five years. The expected life used in the model has been estimated, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The Group recognised the total expense of HK$3,296,000 for the year ended 31st March, 2007 in relation to the share options granted by the Company, of which HK$702,000 was related to options granted to the Group's employees which has been included in staff costs as set out in note 11, and the remaining balance of HK$2,594,000 was related to options granted to directors which has been included in directors' remuneration as set out in note 12(A).

43. ACQUISITION OF SUBSIDIARIES

For the year ended 31st March, 2005

In May 2004, the Group acquired 100% of the issued share capital of the TFH Group and the remaining 50% of the issued share capital of Pacific Wins for considerations of HK$42 million and HK$28 million, respectively.

For the year ended 31st March, 2006

In September 2005 and October 2005, the Group acquired 100% of the issued share capital of China-HK International Finance Limited and 100% of the issued share capital of Well Cycle Limited for cash considerations of HK$35,000 and HK$1,266,000, respectively.

For the year ended 31st March, 2007

During the year ended 31st March, 2007:

(a) The Group acquired the entire equity interest in Everight (the "First Acquisition"), a company engaged in the development and operation of golf resort and hotel and property management, for a consideration of HK$141,993,000. Everight owned 63.03% interest in Smart Sharp Investment Limited ("Smart Sharp") which owned 88.17% interest in Donson.

(b) Everight acquired the remaining 11.83% interest in Donson (International) Development Limited ("Donson") ("the Second Acquisition") for a consideration of HK$19,529,000. After the completion of the Second Acquisition, the Group owned 67.40% effective interest in Donson.

(c) Everight acquired the remaining 36.97% interest of Smart Sharp through the acquisition of the entire interest in Braniff Developments Limited ("Braniff") (the "Third Acquisition") for a consideration of HK$35,730,000. After the completion of the Third Acquisition, the Group owns the entire interest in Smart Sharp and Donson.

The transactions had been accounted for using the purchase method of accounting.

The net assets acquired in the acquisitions and the goodwill (discount) on acquisition arising are as follows:

	2005	2006	2007		
	Acquiree's carrying amount and fair values	Acquiree's carrying amount and fair values	Acquiree's carrying amount in the First Acquisition before combination	Adjustments	Fair values
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net assets acquired:					
Property, plant and equipment	70,127	1,264	209,819	–	209,819
Prepaid lease payments of leasehold land	1,422	–	101,139	–	101,139
Premium on prepaid lease payments of leasehold land	–	–	–	134,029 *(Note i)*	134,029
Intangible assets	1,264	–	–	–	–
Inventories	60,353	–	1,752	–	1,752
Properties held for sale	–	–	213	–	213
Debtors, deposits and prepayments	26,205	33	19,985	–	19,985
Tax recoverable	14	–	258	–	258
Bank balances and cash	23,274	4	9,559	–	9,559
Creditors and accrued charges	(48,613)	–	(55,640)	–	(55,640)
Tax payable	–	–	(11,443)	–	(11,443)
Obligations under a finance leases	(149)	–	–	–	–
Amounts due to minority shareholders of subsidiaries	–	–	(1,377)	–	(1,377)
Unsecured loans from minority shareholders of subsidiaries	–	–	(34,901)	–	(34,901)
Unsecured loans from related parties	–	–	(8,303)	–	(8,303)
Unsecured loan from a director	–	–	(16,427)	–	(16,427)
Unsecured other borrowings	–	–	(17,382)	–	(17,382)
Bank and other borrowings	(82,698)	–	(45,507)	–	(45,507)
Deferred tax liabilities	–	–	(7,119)	(23,769) *(Note i)*	(30,888)
	51,199	1,301	144,626	110,260	254,886
Minority interests	–	–	(103,522)	51,890 *(Note ii)*	(51,632)
Revaluation reserve	–	–	–	(1,795)	(1,795)
	51,199	1,301	41,104	160,355	201,459
Goodwill (discount) on acquisition	22,936	–			(4,207)
	74,135	1,301			197,252

Notes:

(i) The amount represents fair value adjustment on acquisition of prepaid lease payments of leasehold land and the related deferred tax liabilities.

(ii) The amount represents the fair values of net assets of HK$100,812,000 acquired from minority shareholders in the Second Acquisition and Third Acquisition, net of share of fair value adjustment of HK$48,922,000 by minority shareholders in relation to the premium on acquisition of prepaid lease payments of leasehold land and the related deferred tax liabilities.

	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Satisfied by:			
Deposit and expenses paid for acquisition of subsidiaries *(note 24(i))*	–	–	12,099
Cash	42,000	1,301	128,233
Issue of promissory notes	13,000	–	–
Issue of second 2010 Convertible Notes	15,000	–	73,000
Expenditure incurred for the acquisition of subsidiaries during the year	–	–	1,641
Other receivable *(Note)*	–	–	(17,721)
Legal and professional fees	4,135	–	–
	74,135	1,301	197,252
Net cash outflow arising on acquisition:			
Cash consideration	(42,000)	(1,301)	(129,874)
Legal and professional fees	(4,135)	–	–
Bank balances and cash acquired	23,274	4	9,559
	(22,861)	(1,297)	(120,315)

Note: The other receivable represents an amount due from the vendor in respect of tax indemnity given by the vendor pursuant to the sale and purchase agreement for acquisition of Everight. The amount is included in other receivable as set out in note 30.

The subsidiaries acquired during the year ended 31st March, 2005 contributed HK$271,697,993 to the Group's turnover and a loss of HK$1,790,034 to the Group's loss for the period between the date of acquisitions and 31st March, 2005.

The subsidiaries acquired during the year ended 31st March, 2006 did not make any significant contributions to the turnover or the results of the Group. Had the acquisitions been completed on 1st April, 2005, the contributions to the turnover and the results of the Group from these subsidiaries would also be insignificant.

The subsidiaries acquired during the year ended 31st March, 2007 contributed HK$54,960,000 to the Group's turnover and had a loss of HK$5,727,000 included in the Group's results for the period between the date of acquisition and 31st March, 2007. Had the acquisition made had been completed on 1st April, 2006, the Group's turnover for the year would have been HK$890,230,000, and profit for the year ended 31st March, 2007 would have been HK$68,267,000.

The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1st April, 2005 and 2006, respectively, nor is it intended to be a projection of future results.

44. CONTINGENT LIABILITIES

At 31st March, 2005, 2006 and 2007, the Group had given an indemnity to the purchaser relating to unrecorded taxation liabilities, if any, and warranties relating to the affairs and businesses of a subsidiary disposed of in the previous year. The maximum aggregate liability of the Group in respect of all claims for breach of the warranties shall, when taken together with the aggregate liability of the Group in respect of all claims under the indemnity, not exceed the sum of HK$60,000,000. All related claims may be brought against the Group up to the expiry of 10 years from 31st March, 1998.

At 31st March, 2007, the financial guarantee given to a bank in respect of banking facilities utilised by an associate amounted to HK$250,000,000. No such guarantee was granted to an associate at 31st March, 2005 or 2006.

45. CAPITAL AND OTHER COMMITMENTS

	At 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Capital expenditure contracted for but not provided in the Financial Information in respect of:			
– acquisition of property, plant and equipment	2,550	612	35,080
– acquisition of investment properties *(Note i)*	–	–	61,964
	2,550	612	97,044
Capital expenditure authorised but not contracted for in respect of:			
– acquisition of property, plant and equipment	–	194	–
Other commitments:			
– acquisition of subsidiaries *(Note ii)*	–	135,000	–
– acquisition of an associate *(Note ii)*	–	–	155,700
– acquisition of a land use right *(Note iii)*	–	–	10,013
– loan to a subsidiary to be acquired	–	80,000	–
– loan to an associate to be acquired *(Note ii)*	–	645,000	70,000
	–	860,000	235,713
	2,550	860,806	332,757

Notes:

(i) Details of acquisition of investment properties are set out in note 25.

(ii) Details of the acquisitions of subsidiaries and associates are set out in note 24

(iii) Details of acquisition of a land use right are set out in note 23.

46. OPERATING LEASE COMMITMENTS

The Group as lessee

	At 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Property rentals paid by the Group during the Relevant Periods in respect of:			
Minimum lease payments	19,162	23,799	30,407
Contingent rents	3,811	8,011	9,572
	22,973	31,810	39,979

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	19,280	29,697	27,492
In the second to fifth year inclusive	18,710	21,401	12,805
Over five years	–	16	–
	37,990	51,114	40,297

Operating lease payments represent rentals payable by the Group for certain of its office premises and outlets. Leases are negotiated for an average term of three years and rentals are either fixed or, in addition to the fixed rentals, determined based on a fixed percentage of the monthly gross turnover of the outlets, for an average term of three years.

The Group as lessor

The property rental income earned during the three years ended 31st March, 2005, 2006 and 2007 were HK$98,000, 2,198,000 and 2,658,000, respectively.

At 31st March, 2005, 2006 and 2007, the Group had no operating lease commitment.

47. PLEDGE OF ASSETS

At 31st March, 2005 and 2006, the Group's bank and other borrowings and credit facilities from financial institutions were secured by the following:

(a) bank deposits of HK$3,000,000;

(b) legal charges over the Group's properties held for sale with a carrying value of HK$58,536,000; and

(c) legal charges over the property, plant and equipment of Jean-Marie Pharmacal Company Limited, a subsidiary of the Company, with carrying values of HK$2,902,000 and HK$11,959,000 at 31st March, 2006 and 2005, respectively. The pledge was released during the year ended 31st March, 2007.

At 31st March, 2007, the Group's bank borrowings and credit facilities from financial institutions were secured by the following:

(a) bank deposits of HK$40,783,000;

(b) legal charges over the Group's properties held for sale with a carrying value of HK$58,536,000;

(c) prepaid lease payments of leasehold land of HK$143,211,000; and

(d) investments held-for-trading of HK$29,599,000 and available-for-sale investments of HK$75,970,000.

48. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits scheme for eligible employees. The assets of the scheme are separately held in funds under the control of trustees.

The cost charged to the consolidated income statement represents contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

At 31st March, 2005, 2006 and 2007, the Group had no significant forfeited contributions, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contributions payable by the Group in future years.

With effect from 1st December, 2000, the Group has also joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. The contributions to the MPF Scheme charged to the consolidated income statement represent contributions paid or payable to the funds by the Group at rates specified in the rules of the scheme. No forfeited contribution is available to reduce the contribution payable in future years.

The employees of the subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes are to make the required contributions under the schemes.

The total costs charged to consolidated income statement of HK$1,768,000, HK$2,597,000 and HK$4,019,000 for the three years ended 31st March, 2005, 2006 and 2007, respectively, represent contributions paid or payable to the schemes by the Group.

49. RELATED PARTY TRANSACTIONS AND BALANCES

(a) During the year ended 31st March, 2006, the Group entered into the following transactions with related parties:

As stated in the announcement on 20th April, 2005 and the circular dated 23rd May, 2005, on 8th April, 2005, the Company entered into seven subscription agreements with seven subscribers. On 20th April, 2005, the Company entered into another two subscription agreements and a placing agreement with two subscribers and a placing agent, respectively. The nine subscribers and the placing agent agreed to subscribe for or place the HK$956 million and HK$44 million unsecured zero coupon convertible notes due 2010, respectively. Each of the subscription agreements and the placing agreement were not inter-conditional on each other. Kopola, one of the subscribers, had subscribed HK$150 million of the notes. Kopola was 50% held by each by Mr. Ho and his brother, Mr. Ho Hau Hay, Hamilton. Details are set out in note 35(b).

Kopola had not converted any of its First 2010 Convertible Notes during the year ended 31st March, 2006.

During the year ended 31st March, 2007, Kopola had converted HK$100 million of the First 2010 Convertible Notes into 227,272,727 ordinary shares of HK$0.01 each in the capital of the Company at a conversion price of HK$0.44 per share.

(b) Other than as disclosed in (a) above, the Group also had the following transactions with related parties during the Relevant Periods:

Related parties	*Notes*	**Nature of transactions**	**2005** *HK$'000*	**2006** *HK$'000*	**2007** *HK$'000*
Director:					
Mr. Lai		Interest expense	–	–	222
Minority shareholders of subsidiaries:					
Braniff	*(i)*	Interest expense	–	–	1,785
廣州市番禺旅遊總公司	*(ii)*	Interest expense	–	–	266
		Management fee paid	–	–	295
三亞博后經濟開發有限公司	*(ii)*	Rental paid	–	–	84
Associates:					
Orient Town		Interest income	–	–	56,182
More Profit		Interest income	–	–	3,106
Other related companies:					
Mr. Chang Rong Wu	*(iii)*	Interest expense	–	–	11
番禺高爾夫球協會	*(iv)*	Interest expense	–	–	118
L.F. Sam (HK) Ltd.	*(v)*	Interest expense	–	–	92

Notes:

(i) Minority shareholder of Smart Sharp which become a wholly-owned subsidiary of the Company on 28th February, 2007 as set out in (d) below.

(ii) Minority shareholders of subsidiaries of Everight.

(iii) A former director of a subsidiary of Everight.

(iv) Mr. Lai, an executive director of the Company is the chairman of the association.

(v) Mr. Chan Jink Chou, Eric, a former director of a subsidiary of Everight, is also a director and a shareholder of the related company.

Details of the outstanding balances with related parties are set out in the consolidated balance sheet and in notes 22, 24, 36, 38 and 39.

(c) As stated in the announcement on 28th April, 2006 and circular dated 22nd May, 2006, the Company entered into a total of seventeen conditional subscription agreements on 27th April, 2006 with Hanny Holdings Limited ("Hanny"), four fund subscribers who were funds managed by Stark Investments (Hong Kong) Limited, an investment manager of the fund subscribers ("Stark Funds"), ITC Corporation Limited ("ITC"), and the eleven other note subscribers which were funds managed by global asset management firms. Pursuant to the subscription agreements, Hanny, Stark Funds, ITC and the eleven other note subscribers had in aggregate conditionally agreed to subscribe for an aggregate of HK$1,000 million 1% convertible notes due 2011 proposed to be issued by the Company pursuant to the subscription agreements with principal amount of HK$270 million, HK$123 million, HK$30 million and HK$577 million, respectively. Hanny and ITC are companies incorporated in Bermuda with limited liability and their shares are listed on the Stock Exchange. The 2011 Convertible Notes had been issued during the year ended 31st March, 2007 as explained in note 35(d).

Hanny and Stark Funds hold 20.71% and 17.26% interest in the total issued ordinary shares of HK$0.01 each in the share capital of the Company, respectively, as at the date of the note subscription agreements entered.

(d) As stated in the announcement on 5th January, 2007, Everight entered into an agreement with AIM Pacific Limited ("AIM") which was owned as to 65% by Mr. Lai and 35% by Mr. Chan Jink Chou, Eric. Pursuant to the agreement, Everight agreed to acquire the entire interest in Braniff which was owned as to 67% and 33% by AIM and Mr. Chang Rong Wu, respectively, and aggregate amount of shareholders' loans owing by Braniff to AIM and Mr. Chang Rong Wu and the interests accrued thereon up to the completion of the agreement for an aggregate consideration of approximately HK$98 million (the "Braniff Acquisition"). The principal asset of Braniff was its indirect holding of 36.97% effective interest in the issued share capital of Donson and the guarantors of the Braniff Acquisition were Mr. Lai and Mr. Chan Jink Chou, Eric.

In addition, Everight should, immediately after the completion of the Braniff Acquisition, repay on behalf of Donson or procure Donson to repay loans due to Mr. Lai and L.F. Sam (HK) Ltd. of approximately HK$1.3 million and HK$1.6 million, respectively, and interest accrued thereon.

Mr. Lai, Mr. Chan Jink Chou, Eric and Mr. Chang Rong Wu are directors of certain subsidiaries of the Company and Mr. Lai is the executive director of the Company.

(e) Compensation of key management personnel

The remuneration of directors during the Relevant Periods was as follows:

		At 31st March,	
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Short-term benefits	366	3,990	11,105
Share-based payments	–	–	2,594
	366	3,990	13,699

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

50. POST BALANCE SHEET EVENTS

Subsequent to 31st March, 2007, the Group has the following significant post balance sheet events:

(a) As stated in the announcement on 2nd March, 2007, on 27th February, 2007, MPBVI entered into an agreement with the Purchaser, whereby the Purchaser conditionally agreed to purchase 10,000 ordinary shares of US$1.00 each of TFH, representing the entire issued share capital of TFH, and accept an assignment of outstanding loan owing from TFH to MPBVI as at completion of the disposal for a consideration of HK$110,000,000, which would be settled by the Purchaser as to HK$20,000,000 in cash and HK$90,000,000 by way of issue of the loan note. The transaction has not yet been completed at the date of this report and is subject to shareholder's approval after the balance sheet date.

(i) Included in the consolidated income statement of the Group are the following results attributable to the TFH Group during the period from 6th May, 2004, the date of acquisition of the TFH Group, to 31st March, 2005 and the two years ended 31st March, 2006 and 2007 since its acquisition as set out in note 43:

	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Turnover	271,697,993	324,800,275	400,638,026
Cost of sales	(185,148,763)	(209,729,695)	(275,960,807)
Gross profit	86,549,230	115,070,580	124,677,219
Other income	1,294,083	5,054,862	5,007,643
Distribution costs	(56,704,388)	(72,629,401)	(85,270,478)
Administrative expenses	(25,544,548)	(29,106,412)	(35,782,965)
Other expenses	(2,307,426)	(312,967)	(3,550,326)
Impairment loss of property, plant and equipment	–	(25,850,700)	–
Share of results of an associate	(243,311)	(3,114)	–
Finance costs	(3,015,439)	(1,698,662)	(1,831,940)
Profit (loss) before taxation	28,201	(9,475,814)	3,249,153
Taxation	(1,818,235)	(2,624,164)	(13,619)
(Loss) profit for the year	(1,790,034)	(12,099,978)	3,235,534
Attributable to:			
Equity holders of the Company	(1,790,034)	(11,967,972)	3,494,159
Minority interests	–	(132,006)	(258,625)
	(1,790,034)	(12,099,978)	3,235,534

(a) (ii) Included in the consolidated balance sheet of the Group are the following balances of the assets and liabilities attributable to the TFH Group as at 31st March, 2005, 2006 and 2007 since its acquisition as set out in note 43:

	2005	**2006**	**2007**
	HK$	*HK$*	*HK$*
Non-current assets			
Property, plant and equipment	64,276,257	36,449,126	32,097,013
Prepaid lease payments	1,365,513	1,375,600	1,385,427
Intangible assets	2,014,831	2,986,349	430,017
Interest in an associate	–	–	–
	67,656,601	40,811,075	33,912,457
Current assets			
Inventories	59,279,975	70,859,530	74,488,580
Trade and other receivables	36,285,525	34,708,195	53,806,003
Amounts due from fellow subsidiaries	–	1,639,625	3,672,313
Loan receivables	10,298,527	30,313,759	30,313,759
Prepaid lease payments	29,685	29,685	30,550
Tax recoverable	–	–	1,505,613
Held-for-trading investments	–	–	2,500,000
Bank balances and cash	33,055,449	34,580,866	52,018,537
	138,949,161	172,131,660	218,335,355
Current liabilities			
Trade and other payables	56,515,205	63,123,229	94,879,213
Amount due to immediate holding company	–	102,803,125	99,660,589
Amount due to a minority shareholder	–	–	980,000
Tax payable	1,036,384	1,234,952	726,759
Obligations under a finance lease — due within one year	23,159	124,978	3,996
Bank and other borrowings	25,705,787	20,406,413	25,618,247
	83,280,535	187,692,697	221,868,804
Net current assets/(liabilities)	55,668,626	(15,561,037)	(3,533,449)
Total assets less current liabilities	123,325,227	25,250,038	30,379,008
Non-current liability			
Obligations under a finance lease — due after one year	118,756	13,653	9,657
Bank and other borrowings — due after one year	5,625,000	–	–
Amount due to immediate holding company	82,862,708	–	–
	88,606,464	13,653	9,657
	34,718,763	25,236,385	30,369,351
Capital and reserves			
Share capital	78,000	78,000	78,000
Reserves	34,640,763	24,342,779	29,717,661
Equity attributable to equity holders of the Company	34,718,763	24,420,779	29,795,661
Minority interests	–	815,606	573,690
	34,718,763	25,236,385	30,369,351

(a) (iii) Included in the consolidated cash flow statement of the Group are the following cash flows attributable to the TFH Group during the period from 6th May, 2004, the date of acquisition of the TFH Group, to 31st March, 2005 and the two years ended 31st March, 2006 and 2007 since its acquisition as set out in note 43:

	2005	2006	2007
	HK$	*HK$*	*HK$*
OPERATING ACTIVITIES			
Profit (loss) before taxation	28,201	(9,475,814)	3,249,153
Adjustments for:			
Allowance for inventories	7,268,594	5,964,585	10,870,473
Allowance for (reversal of) amount due from an associate	16,661	(2,770)	2,705
Amortisation of intangible assets	68,804	170,498	225,521
Amortisation of prepaid lease payments	29,685	33,144	30,550
Depreciation of property, plant and equipment	8,535,599	10,014,812	9,777,831
Finance costs	3,032,448	1,698,662	1,831,940
Impairment loss of property, plant and equipment	–	25,850,700	–
Interest income	(374,385)	(2,051,312)	(3,347,170)
Loss on disposal of property, plant and equipment	11,524	493,262	163,525
Share of results of an associate	243,311	3,114	–
Write-off of intangible assets	645,165	299,334	2,550,210
Operating cash flows before movements in working capital	19,505,607	32,998,215	25,354,738
Increase in inventories	(6,520,336)	(17,544,140)	(14,499,523)
(Increase) decrease in trade and other receivables	(9,790,667)	3,485,041	(19,205,477)
Increase in amounts due from fellow subsidiaries	–	(1,639,625)	(2,032,688)
(Increase) decrease in amount due from an associate	(184,407)	2,770	(2,705)
Increase in trade and other payables	11,071,508	6,608,024	31,755,984
Decrease in amount due from an associate	12,421	–	–
Increase in held-for-trading investments	–	–	(2,500,000)
Cash generated from operations	14,094,126	23,910,285	18,870,329
Tax paid in other jurisdictions	(768,139)	(2,425,596)	(1,983,005)
NET CASH FROM OPERATING ACTIVITIES	13,325,987	21,484,689	16,887,324
INVESTING ACTIVITIES			
Acquisition of subsidiaries	(16,545,650)	–	–
Increase in loan receivables	(10,000,000)	(20,015,232)	–
Purchase of property, plant and equipment	(3,635,666)	(8,792,814)	(5,068,504)
Development cost incurred	(1,466,042)	(1,441,350)	(219,399)
Capital contribution to an associate	(1)	(4,999)	–
Interest received	75,858	143,601	3,454,839
Proceeds on disposal of property, plant and equipment	347,587	792,661	9,500

	2005 *HK$*	2006 *HK$*	2007 *HK$*
NET CASH USED IN INVESTING ACTIVITIES	(31,223,914)	(29,318,133)	(1,823,564)
FINANCING ACTIVITIES			
Advance from (repayment to) immediate holding company	82,862,708	19,940,417	(3,142,536)
Capital contribution of minority shareholders	–	947,612	–
Trust receipts and import loans raised	16,198,174	–	10,836,834
Advance from a minority shareholder	–	–	980,000
Repayment of bank borrowings	(9,375,000)	(7,500,000)	(5,625,000)
Repayment of trust receipts and import loans	–	(1,799,261)	–
Interest paid	(3,029,692)	(1,698,662)	(1,831,940)
Repayment of other borrowings	(58,189,676)	(1,625,113)	–
Repayment of obligations under a finance lease	(21,111)	(21,284)	(15,921)
Repayment to related companies	(188,679)	–	–
NET CASH FROM FINANCING ACTIVITIES	28,256,724	8,243,709	1,201,437
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,358,797	410,265	16,265,197
CASH AND CASH EQUIVALENTS AT 1ST APRIL	22,176,287	33,055,449	34,580,866
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	520,365	1,115,152	1,172,474
CASH AND CASH EQUIVALENTS AT 31ST MARCH, represented by bank balances and cash	33,055,449	34,580,866	52,018,537

(b) As stated in the announcement on 9th May, 2007, Smarteam Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement dated 9th May, 2007 with six individual Macau residents in relation to the acquisition of properties in Macau, for an aggregate consideration of HK$118,593,000. An amount of HK$17,789,000 had been paid as an initial deposit upon signing of the sale and purchase agreement.

(c) As stated in the announcement on 18th May, 2007, the Company entered into a placing and subscription agreement with Loyal Concept and Kingston Securities Limited ("Kingston"), a placing agent. Pursuant to the placing and subscription agreement, Loyal concept agreed to place, through Kingston, an aggregate of 300,000,000 existing ordinary shares of HK$0.01 each in the share capital of the Company, on a fully underwritten basis, at a price of HK$0.56 per placing share.

In addition, pursuant to the placing and subscription agreement, Loyal Concept conditionally agreed to subscribe for an aggregate of 300,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company at a price of HK$0.56 per share.

(d) On 26th June, 2007, the Group entered into an agreement (the "Agreement") with a purchaser, namely Gainventure Holdings Limited, a wholly owned subsidiary of Get Nice Holdings Limited ("Get Nice") which is listed on the Stock Exchange in respect of:

(i) Macau Prime Property (Macau) Limited, a wholly owned subsidiary of the Company, as the vendor to dispose of its holding of the entire issued share capital of Dragon Rainbow Limited ("Dragon Rainbow") ("Share Disposal"). The sole asset of Dragon Rainbow is its 40% equity interest in More Profit which in turn holds 50% equity interest in Great China, the owner of the Grand Waldo Hotel in Macau; and

(ii) the Company as the vendor to dispose of its loan advanced to Dragon Rainbow ("Loan Disposal").

The aggregate consideration for the Share Disposal and Loan Disposal is HK$350,000,000 which is to be satisfied as to:

(i) HK$5,000,000 in cash which was paid upon signing of the Agreement;

(ii) HK$100,000,000 by the allotment and issue of 126,262,626 shares of Get Nice at HK$0.792 each upon completion of the disposals;

(iii) HK$100,000,000 by convertible bonds (the "Bonds") to be issued by Get Nice upon completion of the disposals. The Bonds are unsecured, to be matured 3 years after the date of issue and bear interest at 5% per annum with initial conversion price (subject to adjustments) at HK$0.924 per share of Get Nice; and

(iv) HK$145,000,000 to be paid in cash upon completion of the disposals.

51. FINANCIAL INFORMATION OF THE COMPANY

The balance sheet of the Company at 31st March, 2005, 2006 and 2007 are as follows:

		At 31st March,		
		2005	**2006**	**2007**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset		3	–	1,189,481
Current assets		268,339	1,241,594	1,657,490
Current liabilities		16,041	1,603	8,676
Net current assets		252,298	1,239,991	1,648,814
Total assets less current liabilities		252,301	1,239,991	2,838,295
Non-current liabilities		84,803	838,241	1,360,455
		167,498	401,750	1,477,840
Capital and reserves				
Share capital		3,610	6,314	23,123
Reserves	*(a)*	163,888	395,436	1,454,717
		167,498	401,750	1,477,840

Note:

(a) Reserves

	Share premium	Capital redemption reserve	Convertible loan notes equity reserve	Share-based payment reserve	Contributed surplus	(Deficit) surplus	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*
THE COMPANY							
At 31st March, 2004	2,071	646	–	–	206,177	(144,173)	64,721
Exercise of share options	227	–	–	–	–	–	227
Recognition of equity component of convertible notes	–	–	3,466	–	–	–	3,466
Issue of shares	78,500	–	–	–	–	–	78,500
Conversion of convertible notes	24,182	–	(346)	–	–	–	23,836
Expenses incurred in connection with issue of shares	(2,623)	–	–	–	–	–	(2,623)
Loss for the year	–	–	–	–	–	(4,239)	(4,239)
At 31st March, 2005	102,357	646	3,120	–	206,177	(148,412)	163,888
Recognition of equity component of convertible notes	–	–	160,914	–	–	–	160,914
Conversion of convertible notes	110,867	–	(6,981)	–	–	–	103,886
Loss for the year	–	–	–	–	–	(33,252)	(33,252)
At 31st March, 2006	213,224	646	157,053	–	206,177	(181,664)	395,436
Recognition of equity component of convertible notes	–	–	261,644	–	–	–	261,644
Conversion of convertible notes	393,688	–	(63,393)	–	–	–	330,295
Transfer	–	–	–	–	(206,177)	206,177	–
Issue of shares	491,666	–	–	–	–	–	491,666
Expenses incurred in connection with issue of shares	(12,908)	–	–	–	–	–	(12,908)
Repurchase and cancellation of shares	(19,615)	478	–	–	–	(478)	(19,615)
Recognition of equity-settled share-based payments	–	–	–	3,296	–	–	3,296
Loss for the year	–	–	–	–	–	4,903	4,903
At 31st March, 2007	1,066,055	1,124	355,304	3,296	–	28,938	1,454,717

Note: The contribution surplus of the Company represents:

(i) the difference between the underlying net assets of the subsidiaries acquired by the Company at the date of the group reorganisation in 1994 less any dividends distributed from the pre-reorganisation reserves and the nominal amount of the Company's share capital issued as consideration for the acquisition; and

(ii) net balance from capital reduction, cancellation of share premium and set-off against the deficit pursuant to the capital reorganisation on 15th April, 2003.

Pursuant to a resolution of the Directors passed on 29th September, 2006, the amount of contribution surplus was transferred to the deficit.

52. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into three, four and six operating divisions for each of the three years ended 2005, 2006 and 2007, respectively. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property	–	property development and investment
Golf and leisure	–	development and operation of golf resort and hotel
Securities investment	–	trading of securities
Motorcycles	–	trading of motorcycles and spare parts
Finance	–	loan financing services
Medicine and health food	–	manufacture and trading of medicine and health food

During the year ended 31st March, 2006, the Group has a new business segment – securities investment.

During the year ended 31st March, 2007, the Group has two new business segments – golf and leisure and loan financing services.

Segment information about these businesses is presented below:

2005

	Motorcycles	**Property**	**Medicine and health food**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
CONSOLIDATED INCOME STATEMENT				
FOR THE YEAR ENDED 31ST MARCH, 2005				
TURNOVER	11,737	91,707	275,952	379,396
SEGMENT RESULTS	542	27,160	2,888	30,590
Unallocated corporate income				2,139
Unallocated corporate expenses				(11,090)
Finance costs				(7,554)
Profit before taxation				14,085
Taxation				(1,823)
Profit for the year				12,262
BALANCE SHEET				
AT 31st MARCH, 2005				
ASSETS				
Segment assets	2,019	62,156	218,491	282,666
Unallocated corporate assets				195,847
Consolidated total assets				478,513
LIABILITIES				
Segment liabilities	753	1,636	57,986	60,375
Unallocated corporate liabilities				169,334
Consolidated total liabilities				229,709

	Motorcycles	Property	Medicine and health food	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OTHER INFORMATION					
Depreciation of property, plant and equipment	–	–	8,625	184	8,809
Amortisation of prepaid lease payments	–	–	27	–	27
Amortisation of intangible assets	–	–	71	–	71
Amortisation of goodwill	–	–	1,051	–	1,051
Write-off of intangible assets	–	–	645	–	645
Capital additions	–	–	73,205	3	73,208
Development cost incurred	–	–	2,731	–	2,731
Goodwill	–	–	22,936	–	22,936
Doubtful debt provided (recovered)	–	–	1,741	(12)	1,729
Loss on disposal of investment properties	–	3,217	–	–	3,217
Unrealised holding loss of other investments	–	–	–	4,226	4,226
Release of negative goodwill	–	(2,224)	–	–	(2,224)

2006

	Property	Securities investment	Motorcycles	Medicine and health food	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONSOLIDATED INCOME STATEMENT					
FOR THE YEAR ENDED 31ST MARCH, 2006					
TURNOVER	2,198	503,502	11,756	324,800	842,256
SEGMENT RESULTS	1,545	(3,440)	471	(30,527)	(31,951)
Unallocated corporate income					19,323
Unallocated corporate expenses					(20,984)
Share of results of an associate	–	–	–	(5)	(5)
Finance costs					(36,818)
Loss before taxation					(70,435)
Taxation					(2,657)
Loss for the year					(73,092)
CONSOLIDATED BALANCE SHEET					
AT 31ST MARCH, 2006					
ASSETS					
Segment assets	210,264	9,043	1,750	144,202	365,259
Unallocated corporate assets					1,035,955
Consolidated total assets					1,401,214
LIABILITIES					
Segment liabilities	3,109	–	312	61,789	65,210
Unallocated corporate liabilities					890,171
Consolidated total liabilities					955,381

	Property HK$'000	Securities investment HK$'000	Motorcycles HK$'000	Medicine and health food HK$'000	Unallocated HK$'000	Consolidated HK$'000
OTHER INFORMATION						
Depreciation of property, plant and equipment	–	–	–	10,017	229	10,246
Amortisation of intangible assets	–	–	–	171	–	171
Amortisation of prepaid lease payments	–	–	–	30	–	30
Impairment recognised in respect of goodwill arising from acquisition of subsidiaries	–	–	–	21,885	–	21,885
Impairment loss of property, plant and equipment	–	–	–	25,851	–	25,851
Loss on disposal of property, plant and equipment	–	–	–	544	–	544
Decrease in fair value of financial assets at fair value through profit or loss	–	6,046	–	–	–	6,046
Written-off of intangible assets	–	–	–	299	–	299
Capital additions	–	–	–	10,429	1,116	11,545
Development cost incurred	–	–	–	1,441	–	1,441
Reversal of amount due from an associate	–	–	–	–	(3)	(3)
Allowance for inventories	–	–	–	5,964	–	5,964

2007

	Property HK$'000	Golf and leisure HK$'000	Securities investment HK$'000	Motorcycles HK$'000	Finance HK$'000	Medicine and health food HK$'000	Total of all segments HK$'000	Elimination/ adjustments HK$'000	Consolidated HK$'000
CONSOLIDATED INCOME STATEMENT									
FOR THE YEAR ENDED 31ST MARCH, 2007									
TURNOVER									
External sales	5,251	52,367	329,155	13,125	81,085	400,638	881,621	–	881,621
Inter-segment sales*	–	–	–	–	37,702	–	37,702	(37,702)	–
Total	5,251	52,367	329,155	13,125	118,787	400,638	919,323	(37,702)	881,621
SEGMENT RESULTS	3,003	3,428	26,837	215	7,270	(95)	40,658	72,950	113,608
Unallocated corporate income									42,439
Unallocated corporate expenses									(41,540)
Discount on acquisition of subsidiaries	–	4,207	–	–	–	–	4,207	–	4,207
Compensation for cancellation of call options for acquisition of additional interest in an associate									23,370
Share of results of associates	40,916	–	–	–	–	–	40,916	–	40,916
Finance costs									(98,844)
Profit before taxation									84,156
Taxation									(10,055)
Profit for the year									74,101

* *Inter-segment sales were charged at terms determined and agreed between group companies.*

	Property	Golf and leisure	Securities investment	Motorcycles	Finance	Medicine and health food	Total of all segments	Elimination/ adjustments	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONSOLIDATED BALANCE SHEET									
AT 31ST MARCH, 2007									
ASSETS									
Segment assets	71,662	509,581	194,265	1,859	1,518,647	164,145	2,460,159	–	2,460,159
Interests in associates	93,879	–	–	–	–	–	93,879	–	93,879
Unallocated corporate assets									828,062
Consolidated total assets									3,382,100
LIABILITIES									
Segment liabilities	13,600	41,248	720	50	1,318,822	94,874	1,469,314	(1,318,822)	150,492
Unallocated corporate liabilities									1,559,788
Consolidated total liabilities									1,710,280
OTHER INFORMATION									
Depreciation of property, plant and equipment	–	10,390	–	–	–	9,808	20,198	599	20,797
Amortisation of intangible assets	–	–	–	–	–	225	225	–	225
Amortisation of prepaid lease payments	–	1,953	–	–	–	31	1,984	–	1,984
Amortisation of premium on prepaid lease payments	–	2,502	–	–	–	–	2,502	–	2,502
Increase in fair value of financial assets at fair value through profit or loss	–	–	17,755	–	–	–	17,755	–	17,755
Write-off of intangible assets	–	–	–	–	–	2,550	2,550	–	2,550
Capital additions	–	247,373	–	–	–	5,609	252,982	856	253,838
Development cost incurred	–	–	–	–	–	219	219	–	219
Allowance for inventories	–	–	–	–	–	10,870	10,870	–	10,870

Geographical segments

The Group's operations are principally located in Macau, Hong Kong, the PRC and other countries including Canada, Taiwan and Singapore. The Group's administrative functions were carried out in Macau, Hong Kong and the PRC.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market Year ended 31st March,		
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	288,326	754,026	653,789
PRC	60,687	59,818	136,306
Other countries	30,383	28,412	91,526
	379,396	842,256	881,621

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, intangible assets and goodwill, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets At 31st March,			Additions to property, plant and equipment, intangible assets and goodwill Year ended 31st March,		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets						
Macau	–	18,923	1,335,896	–	–	–
Hong Kong	191,504	108,380	646,703	97,926	5,898	4,954
PRC	78,351	225,079	565,284	857	6,091	248,905
Other countries	12,811	12,877	6,155	92	997	198
	282,666	365,259	2,554,038	98,875	12,986	254,057
Other assets	195,847	1,035,955	828,062	–	–	–
	478,513	1,401,214	3,382,100	98,875	12,986	254,057

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies of the Group subsequent to 31st March, 2007.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2. WORKING CAPITAL

The Directors are of the opinion that after taking into account the Remaining Group's internal resources available, proceeds from the placement of shares, proceeds from disposal of TFH, banking facilities and loans from other parties presently available, the Remaining Group will have sufficient working capital for its business for the next twelve months from the date of this circular.

3. INDEBTEDNESS STATEMENT

(a) Borrowings

At the close of business on 30th April, 2007, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement, the Group had the following borrowings:

	HK$'000
Secured bank borrowings *(Note)*	169,202
Obligations under finance leases *(Note)*	94
Unsecured other loans from	
– minority shareholders of subsidiaries	4,515
– related parties	1,616
	6,131
	175,427

Note: The secured bank borrowings and obligations under finance leases were secured by certain of the Group's property, plant and equipment, prepaid lease payments of leasehold land, properties held for sale, investments held-for-sale, available-for-sale investments and bank deposits with an aggregate carrying amount of approximately HK$390.9 million at 30th April, 2007.

(b) Debt securities

As at the close of business on 30th April, 2007, the Group had the following outstanding convertible notes:

	Principal amount *HK$'000*	Carrying amount of debt component at 30th April, 2007 *HK$'000*	Conversion price *HK$*
2005 August Note	582,050	531,575	0.44
Convertible notes issued on 8th June, 2006 (the "Donson Note")	60,000	49,118	0.44
2006 June Note	1,000,000	796,274	0.70

(c) Contingent liabilities

At 30th April, 2007, the Group had contingent liabilities to the extent of HK$60 million in respect of a tax indemnity given in connection with the disposal of a subsidiary in previous year. In addition, the Company had provided a guarantee in the amount of approximately HK$250 million on a several basis in favour for a bank in relation to the refinancing of the bank loan of Great China.

Subsequent to 30th April, 2007 and up to the Latest Practicable Date, principal amounts of HK$79 million (debt component: HK$71.8 million), HK$42.5 million (debt component: HK$34.6 million) and HK$20.0 million (debt component: HK$15.1 million) of the 2005 August Note, the Donson Note and the 2006 June Note have been reduced as a result of the exercise of the conversion rights thereunder respectively.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities and normal trade payables and bills payables, as at the close of business of 30th April, 2007, none of the members of the Group had any outstanding mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptable credits or any guarantees or other material contingent liabilities.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business on 30th April, 2007.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31st March, 2007 (being the date to which the latest published audited consolidated financial statements of the Company were made up).

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE REMAINING GROUP

1. Unaudited Pro Forma Consolidated Balance Sheet on the Remaining Group

A. Introduction

The unaudited pro forma consolidated balance sheet of the Remaining Group (the "Unaudited Pro Forma Consolidated Balance Sheet") has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal on the Group as if the Disposal had been completed on 31st March, 2007.

The Unaudited Pro Forma Consolidated Balance Sheet is prepared based on the audited consolidated balance sheet of the Group as at 31st March, 2007, which has been extracted from the annual report of the Company for the year ended 31st March, 2007, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction; and (ii) factually supportable.

The Unaudited Pro Forma Consolidated Balance Sheet is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Consolidated Balance Sheet does not purport to describe the actual financial position of the Remaining Group that would have been attained had the Disposal been completed on 31st March, 2007, nor purport to predict the future financial position of the Remaining Group.

The Unaudited Pro Forma Consolidated Balance Sheet should be read in conjunction with the historical information of the Group as set out in the audited consolidated financial statements of the Group for the year ended 31st March, 2007 set out in Appendix I to this circular and other financial information included elsewhere in this circular.

The Unaudited Pro Forma Consolidated Balance Sheet has been prepared by the Directors for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Remaining Group following the Completion.

B. Unaudited Pro Forma Consolidated Balance Sheet

	The Group as at 31st March, 2007	Pro forma adjustments (Note 1)	Pro forma adjustments (Note 2)	Pro forma Remaining Group
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets				
Property, plant and equipment	279,956	(32,097)		247,859
Prepaid lease payments of leasehold land	96,772	(1,385)		95,387
Premium on prepaid lease payments of leasehold land	131,527			131,527
Intangible assets	430	(430)		–
Available-for-sale investments	130,036			130,036
Interests in associates	93,879			93,879
Unsecured loans and interest due from associates	1,234,443			1,234,443
Deposits and expenses paid for acquisition of a land use right	41,466			41,466
Deposits and expenses paid for acquisition of subsidiaries and associates	90,675			90,675
Deposits and expenses paid for acquisition of investment properties	27,125			27,125
Other loan receivables	9,634			9,634
	2,135,943			2,102,031
Current assets				
Inventories	76,919	(74,488)		2,431
Properties held for sale	58,536			58,536
Properties under development	11,296			11,296
Financial assets at fair value through profit or loss	66,725	(2,500)		64,225
Debtors, deposits and prepayments	476,727	(57,477)		419,250
Other loan receivables	256,495	(30,314)		226,181
Promissory note receivable	–		90,000	90,000
Prepaid lease payments of leasehold land	2,480	(31)		2,449
Amounts due from associates	68			68
Tax recoverable	1,506	(1,506)		–
Pledged bank deposits	40,783			40,783
Bank balances and cash	254,622	(52,019)	13,200	215,803
	1,246,157			1,131,022

	The Group as at 31st March, 2007 *HK$'000*	Pro forma adjustments *(Note 1)* *HK$'000*	Pro forma adjustments *(Note 2)* *HK$'000*	Pro forma Remaining Group *HK$'000*
Current liabilities				
Creditors, deposits and accrued charges	158,947	(95,859)	(5,000)	58,088
Tax payable	12,340	(727)		11,613
Amount due to the Remaining Group	–	(99,661)	99,661	–
Obligations under finance leases – due within one year	24	(4)		20
Convertible note payables	7,945			7,945
Amounts due to minority shareholders of subsidiaries	1,884			1,884
Dividend payable to a minority shareholder of a subsidiary	2,354			2,354
Bank borrowings – due within one year	111,439	(25,618)		85,821
Unsecured loans from minority shareholders of subsidiaries	4,515			4,515
Unsecured loan from a related company	1,616			1,616
	301,064			173,856
Net current assets	945,093			957,166
Total assets less current liabilities	3,081,036			3,059,197
Non-current liabilities				
Obligations under finance leases – due after one year	71	(9)		62
Bank borrowings – due after one year	8,081			8,081
Convertible note payables	1,360,455			1,360,455
Deferred tax liabilities	40,609			40,609
	1,409,216			1,409,207
	1,671,820			1,649,990
Capital and Reserves				
Share capital	23,123			23,123
Reserves	1,598,516	(29,795)	8,539	1,577,260
Equity attributable to the equity holders of the Company	1,621,639			1,600,383
Minority interests	50,181	(574)		49,607
	1,671,820			1,649,990

C. Notes:

(1) The adjustment reflects the exclusion of the assets and liabilities of the TFH Group from the consolidated balance sheet of the Group as at 31st March, 2007, as if the Disposal had been completed on 31st March, 2007.

(2) The adjustment reflects (i) receipt of the partial consideration in cash of HK$20 million, comprising HK$5 million had been received within 7 days after the signing of the Agreement dated 27th February, 2007 as deposit which had been included in creditors, deposits and accrued charges in the consolidated balance sheet of the Group as at 31st March, 2007 and HK$15 million to be received upon the Completion; (ii) the payment of the estimated expenses of approximately HK$1.8 million to be incurred in connection with the Disposal; (iii) the balance of the Consideration of HK$90 million to be satisfied by the issue of the Note which matures on the date falling six months after the date of Completion; (iv) the release of translation reserve of approximately HK$4.2 million; (v) the assignment of the amount due to the Remaining Group of HK$99.7 million to the Purchaser; and (vi) the estimated loss of approximately HK$17.1 million resulting from the Disposal, as if the Disposal had been completed on 31st March, 2007.

2. Unaudited Pro Forma Consolidated Income Statement and Unaudited Pro Forma Consolidated Cash Flow Statement of the Remaining Group

A. Introduction

The unaudited pro forma consolidated income statement (the "Unaudited Pro Forma Consolidated Income Statement") and unaudited pro forma consolidated cash flow statement (the "Unaudited Pro Forma Consolidated Cash Flow Statement") of the Remaining Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Disposal on the Group as if the Disposal had taken place at the beginning of the year ended 31st March, 2007.

The Unaudited Pro Forma Consolidated Income Statement and the Unaudited Pro Forma Consolidated Cash Flow Statement are prepared based on the audited consolidated income statement and the audited consolidated cash flow statement of the Group for the year ended 31st March, 2007 as extracted from the annual report of the Company for the year ended 31st March, 2007, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction; (ii) expected to have a continuing impact on the Remaining Group, and (iii) factually supportable.

The Unaudited Pro Forma Consolidated Income Statement and the Unaudited Pro Forma Consolidated Cash Flow Statement are based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Consolidated Income Statement and the Unaudited Pro Forma Consolidated Cash Flow Statement do not purport to describe the actual results and cash flows of the Remaining Group that would have been attained had the Disposal been completed at the beginning of the year ended 31st March, 2007 nor purport to predict the future results and cash flows of the Remaining Group.

The Unaudited Pro Forma Consolidated Income Statement and the Unaudited Pro Forma Consolidated Cash Flow Statement should be read in conjunction with the historical information of the Group as set out in the audited consolidated financial statements of the Group for the year ended 31st March, 2007 set out in Appendix I to this circular and other financial information included elsewhere in this circular.

The Unaudited Pro Forma Consolidated Income Statement and the Unaudited Pro Forma Consolidated Cash Flow Statement have been prepared by the Directors for illustrative purposes only and because of their nature, they may not give a true picture of the results and cash flows of the Remaining Group had the Disposal actually occurred at the beginning of the year ended 31st March, 2007 or for any future period.

B. *Unaudited Pro Forma Consolidated Income Statement*

	The Group for the year ended 31st March, 2007	Pro forma adjustments *(Note 1)*	Pro forma adjustments *(Note 2)*	Pro forma adjustment *(Note 3)*	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	881,621	(403,638)			477,983
Property sale and rental income	5,251				5,251
Golf and leisure income	52,367				52,367
Sales of motorcycles	13,125				13,125
Sales of medicine and health products	400,638	(400,638)			–
	471,381				70,743
Cost of sales	(302,381)	275,961			(26,420)
Gross profit	169,000				44,323
Net income from loan financing	80,219	(3,000)			77,219
Net increase in fair value of financial assets at fair value through profit or loss	28,623				28,623
Other income	51,448	(2,007)		2,250	51,691
Distribution costs	(85,270)	85,270			–
Administrative expenses	(121,756)	37,254			(84,502)
Other expenses	(3,550)	3,550			–
Compensation for cancellation of call options for acquisition of additional interest in an associate	23,370				23,370
Share of results of associates	40,916				40,916
Loss on disposal of subsidiaries	–		(16,727)		(16,727)
Finance costs	(98,844)	1,832			(97,012)
Profit before taxation	84,156				67,901
Taxation	(10,055)	14			(10,041)
Profit for the year	74,101				57,860
Attributable to:					
Equity holders of the Company	79,091	(2,022)	(16,727)	2,250	62,592
Minority interests	(4,990)	258			(4,732)
	74,101				57,860

C. *Unaudited Pro Forma Consolidated Cash Flow Statement*

	The Group for the year ended 31st March, 2007	Pro forma adjustments *(Note 4)*	Pro forma adjustments *(Note 5)*	Pro forma adjustments *(Note 6)*	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES					
Profit before taxation	84,156	(1,778)	(16,727)	2,250	67,901
Adjustments for:					
Finance costs	98,844	(1,832)			97,012
Share of results of associates	(40,916)				(40,916)
Allowance for amounts due from associates	1	(1)			–
Amortisation of intangible assets	225	(225)			–
Interest income	(33,942)	3,347		(2,250)	(32,845)
Depreciation of property, plant and equipment	20,797	(9,778)			11,019
Allowance for inventories	10,870	(10,870)			–
Amortisation of prepaid lease payments of leasehold land	1,984	(31)			1,953
Amortisation of premium on prepaid leases payments of leasehold land	2,502				2,502
Discount on acquisition of subsidiaries	(4,207)				(4,207)
Dividend income received from an associate	(7,452)				(7,452)
Compensation of cancellation of call option for acquisition of additional interest in an associate	(23,370)				(23,370)
Equity-settled share-based payments expense	3,296				3,296
Loss on disposal of subsidiaries	–		16,727		16,727
Loss on disposal of property, plant and equipment	235	(164)			71
Write off of intangible assets	2,550	(2,550)			–
Increase in fair value of financial assets at fair value through profit or loss	(28,623)				(28,623)
Operating cash flows before movements in working capital	86,950				63,068

	The Group for the year ended 31st March, 2007	Pro forma adjustments (Note 4)	Pro forma adjustments (Note 5)	Pro forma Remaining Group
	HK$'000	HK$'000	HK$'000	HK$'000
OPERATING ACTIVITIES *(continued)*				
Increase in unsecured loans to associates	(1,010,606)			(1,010,606)
Increase in other loan receivables	(202,180)			(202,180)
Increase in amounts due from associates	(69)	1		(68)
Increase in inventories	(15,178)	14,500		(678)
Decrease in properties held for sales	213			213
Increase in properties under development	(5,696)			(5,696)
Increase in financial assets at fair value through profit or loss	(29,059)			(29,059)
(Increase) decrease in debtors, deposits and prepayments	(18,440)	19,205	3,143	3,908
Increase in creditors, deposits and accrued charges	33,070	(33,227)	(2,967)	(3,124)
Cash used in operations	(1,160,995)			(1,184,222)
Hong Kong Profits Tax paid	(34)			(34)
Overseas taxations paid	(1,930)	1,983		53
Interest paid	(9,744)	1,832		(7,912)
NET CASH USED IN OPERATING ACTIVITIES	(1,172,703)			(1,192,115)

	The Group for the year ended 31st March, 2007	Pro forma adjustments (Note 4)	Pro forma adjustments (Note 5)	Pro forma adjustments (Note 6)	Pro forma Remaining Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
INVESTING ACTIVITIES					
Refundable earnest money received	140,000				140,000
Proceeds from repayment of the Note	–			90,000	90,000
Interest received	19,630	(3,455)		2,250	18,425
Proceeds from disposal of property, plant and equipment	135	(10)			125
Refundable earnest money paid	(352,075)				(352,075)
Purchase of available-for-sale investments	(126,555)	2,500			(124,055)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(120,315)				(120,315)
Decrease in amount due from the Remaining Group	–	2,033	(2,033)		–
Deposits and expenses paid for acquisition of subsidiaries and associates	(90,675)				(90,675)
Purchase of property, plant and equipment	(44,019)	5,068			(38,951)
Disposal of subsidiaries	–	(34,581)	18,200		(16,381)
Deposit and expenses for acquisition of a land use right	(41,466)				(41,466)
Increase in pledged bank deposits	(37,783)				(37,783)
Deposits and expenses paid for acquisition of investment properties	(27,125)				(27,125)
Acquisition of associates	(4,942)				(4,942)
Development cost incurred	(219)	219			–
NET CASH USED IN INVESTING ACTIVITIES	(685,409)				(605,218)

	The Group for the year ended 31st March, 2007	Pro forma adjustments *(Note 4)*	Pro forma adjustments *(Note 5)*	Pro forma Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
FINANCING ACTIVITIES				
Net proceeds from issue of convertible notes	981,730			981,730
Proceeds from issue of shares	500,000			500,000
New bank borrowings raised	37,815	(10,837)		26,978
Advance from minority shareholders of subsidiaries	507			507
Unsecured loan from a related company	67			67
Repayment of unsecured other borrowings	(36,565)			(36,565)
Repayment of unsecured loan from a director	(3,998)			(3,998)
Repayment of loans from minority shareholders of subsidiaries	(30,386)	(980)		(31,366)
Share repurchase and cancellation	(20,093)			(20,093)
Expenses paid in connection with issue of shares	(12,908)			(12,908)
Repayment of bank borrowings	(10,939)	5,625		(5,314)
Repayment of obligation under finance leases	(144)	16		(128)
Decrease in amount due to the Remaining Group	–	3,143	(3,143)	–
NET CASH FROM FINANCING ACTIVITIES	1,405,086			1,398,910
NET DECREASE IN CASH AND CASH EQUIVALENTS	(453,026)			(398,423)
CASH AND CASH EQUIVALENTS AT 1ST APRIL	705,480			705,480
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,168	(1,172)		996
CASH AND CASH EQUIVALENTS AT 31ST MARCH represented bank balances and cash	254,622			308,053

D. Notes:

(1) The adjustments reflect the exclusion of the income and expenses attributable to the TFH Group from the consolidated income statement of the Group for the year ended 31st March, 2007 as if the Disposal had been completed on 1st April, 2006.

(2) The adjustments reflect the estimated loss on the Disposal of HK$16.7 million recognised by the Group as if the Disposal had been completed on 1st April, 2006. The calculation is based on:

(a) the consideration of HK$110 million which before the payment of the estimated expenses of approximately HK$1.8 million to be incurred in connection with the Disposal;

(b) the assets and liabilities excluding the amount due to the Remaining Group of HK$102.8 million attributable to the TFH Group to be disposed of as at 1st April, 2006, comprising:

(i) bank balances and cash of HK$34.6 million; and

(ii) other net assets of HK$92.6 million to be disposed of pursuant to the Disposal;

(c) the release of translation reserve attributable to the TFH Group of HK$2.3 million.

(3) The adjustment reflects the interest income of HK$2.25 million on the Note for six months from 1st April, 2006, as if the Disposal had been completed on 1st April, 2006.

(4) The adjustment reflects the exclusion of the cash flows of the TFH Group as if the Disposal had been completed on 1st April, 2006.

(5) The adjustment reflects: (i) the net cash proceeds of HK$13.2 million to be received immediately upon the Completion less bank balances and cash of HK$34.6 million of the TFH Group disposed of, and the estimated loss on the Disposal of HK$16.7 million as if the Disposal had been completed on 1st April, 2006; (ii) the reclassification of the cash flow of amounts due from and to the Remaining Group of HK$2.0 million and HK$3.1 million as creditors, deposits and accrued charges and debtors, deposits and prepayments, respectively; and (iii) the reclassification of deposit of HK$5.0 million received in connection with the Disposal during the year ended 31st March, 2007 from increase in creditors, deposits and accrued charges to disposal of subsidiaries.

(6) The adjustment reflects the proceeds from repayment of the Note of HK$90 million and the receipt of interest income of HK$2.25 million arising from the Note for the period from 1st April, 2006 to 30th September, 2006, the maturity date of the Note as if the Disposal had been completed on 1st April, 2006.

3. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Remaining Group

The following unaudited adjusted pro forma statement of consolidated net tangible assets of the Remaining Group attributable to equity holders of the Company was prepared based on the consolidated balance sheet of the Group as at 31st March, 2007 as set out in Appendix I to this Circular with adjustments to reflect the effect of the Disposal on the Remaining Group as if the Disposal had taken place on 31st March, 2007.

This unaudited pro forma statement of adjusted consolidated net tangible assets is prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Remaining Group as at the date to which it is made up or at any future date.

	Audited adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31st March, 2007	Pro forma adjustments	Unaudited adjusted pro forma consolidated net tangible assets of the Remaining Group attributable to the equity holders of the Company
	HK$'000	*HK$'000*	*HK$'000*
	(Notes 1 and 3)	*(Note 2)*	*(Note 4)*
Consolidated net tangible assets	1,487,981	(20,826)	1,467,155

Notes:

1. The audited adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 31st March, 2007 is calculated as follows:

		HK$'000
Audited consolidated net assets of the Group as at 31st March, 2007		1,621,639
Less:	Intangible assets attributable to the equity holders of the Company	(430)
	Goodwill included in interests in associates	(1,701)
	Premium on prepaid lease payment of leasehold land	(131,527)
		1,487,981

2. The adjustments include:

	HK$'000
Net consideration to be received and receivable from the Disposal	108,200
Net tangible assets of the TFH Group attributable to the equity holders of the Company	(29,365)
Amount due to the Remaining Group by the TFH Group	(99,661)
	(20,826)

3. Audited adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company per Share as at 31st March, 2007 based on 2,312,314,541 Shares in issue as at 31st March, 2007	HK$0.64
4. Unaudited adjusted pro forma consolidated net tangible assets of the Remaining Group attributable to the equity holders of the Company per Share as at 31st March, 2007 based on 2,312,314,541 Shares in issue as at 31st March, 2007	HK$0.63

2. REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for inclusion in this circular, received from Deloitte Touche Tohmatsu, the independent reporting accountants.

TO THE DIRECTORS OF MACAU PRIME PROPERTIES HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Macau Prime Properties Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the very substantial disposal of the interest in the entire issued share capital of Tung Fong Hung Investment Limited ("TFH") and the entire amount of the interest-free shareholder's loan owing from TFH, might have affected the financial information presented for inclusion in Appendix II of the circular dated 9th July, 2007 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages 110 to 122 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 31st March, 2007 or any future date; or
- the results and cash flows of the Group for the year ended 31st March, 2007 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 9th July, 2007

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors or chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company and/or their associates in the shares, underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(i) Interests in the Shares and underlying Shares under equity derivatives (as defined in Part XV of the SFO)

Name of Director	Long position/ Short position	Capacity	Number of issued Shares	Number of underlying Shares (under equity derivatives of the Company)	Aggregate interest	Approximate percentage of the issued share capital of the Company *(%)*
Mr. Cheung Hon Kit ("Mr. Cheung")	Long position	Beneficial owner	4,000,000	–	4,000,000	0.14
Mr. Ho Hau Chong, Norman ("Mr. Ho")	Long position	Interest of controlled corporation	125,716,363 *(Note 1)*	–	125,716,363	4.31
Mr. Lai Tsan Tung, David ("Mr. Lai")	Long position	Interest of controlled corporation	–	39,718,584 *(Note 2)*	39,718,584	1.36

Notes:

1. Each of Mr. Ho, the deputy chairman of the Company and a non-executive Director, and his brother, Mr. Ho Hau Hay, Hamilton, owned 50% interest in Kopola Investment Company Limited ("Kopola") which beneficially owned 125,716,363 Shares.

2. Mr. Lai, an executive Director, was interested in the 39,718,584 underlying Shares of HK$17,476,177 zero coupon convertible notes due 2010 issued by the Company on 8th June, 2006 at the initial conversion price of HK$0.44 per Share held by Green Label Investments Limited ("Green Label") by virtue of his beneficial interest in the entire issued share capital of Green Label.

(ii) Interests in the share options of the Company

Name of Director	Date of grant	Exercisable period	Exercise price per Share *HK$*	Number of share options	Approximate percentage of the issued share capital of the Company *(%)*
Mr. Cheung	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	10,000,000	0.34
Mr. Chan Fut Yan ("Mr. Chan")	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	6,000,000	0.21
Mr. Wong Kam Cheong, Stanley	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	2,000,000	0.07
Mr. Cheung Chi Kit	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	2,000,000	0.07
Mr. Ho	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	3,000,000	0.10
Mr. Lo Lin Shing, Simon ("Mr. Lo")	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	1,500,000	0.05
Mr. Wong Chi Keung, Alvin ("Mr. Wong")	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	1,500,000	0.05
Mr. Chui Sai Cheong	15th August, 2006	15th August, 2006 – 14th August, 2008	0.50	1,500,000	0.05

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) were required, pursuant to the Model Code adopted by the Company, to be notified to the Company and the Stock Exchange.

(b) Interests of Shareholders discloseable pursuant to the SFO

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital:

(i) Interests in the Shares

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company *(%)*
Loyal Concept Limited ("Loyal Concept")	Long position	Beneficial owner	391,067,272 *(Note 1)*	13.41
Hanny Magnetics (B.V.I.) Limited ("Hanny Magnetics")	Long position	Interest of controlled corporation	431,067,272 *(Note 1)*	14.78
Hanny Holdings Limited ("Hanny")	Long position	Interest of controlled corporation	431,067,272 *(Note 1)*	14.78
Famex Investment Limited ("Famex")	Long position	Interest of controlled corporation	431,067,272 *(Note 1)*	14.78
Mankar Assets Limited ("Mankar")	Long position	Interest of controlled corporation	431,067,272 *(Note 1)*	14.78

Name of Shareholder	Long position/ Short position	Capacity	Number of issued Shares	Approximate percentage of the issued share capital of the Company (%)
ITC Investment Holdings Limited ("ITC Investment")	Long position	Interest of controlled corporations	431,067,272 *(Note 1)*	14.78
ITC Corporation Limited ("ITC")	Long position	Interest of controlled corporations	431,067,272 *(Note 1)*	14.78
Shepherd Investments International, Ltd. ("Shepherd")	Long position	Beneficial owner	96,418,727 *(Note 2)*	3.31
Stark Master Fund, Ltd. ("Stark Master")	Long position	Beneficial owner	134,978,817	4.63
Stark Investments (Hong Kong) Limited ("Stark HK")	Long position	Investment manager	214,252,725 *(Note 2)*	7.34
Gandhara Master Fund Limited ("Gandhara")	Long position	Investment manager	95,060,000	3.26
Harmony Investment Fund Limited ("Harmony")	Long position	Beneficial owner	52,135,000	1.79

(ii) Interests in the underlying Shares under equity derivatives (as defined in Part XV of the SFO)

Name of Shareholder	Long position/ Short position	Capacity	Number of underlying Shares (under equity derivatives of the Company)	Approximate percentage of the issued share capital of the Company *(%)*
Loyal Concept	Long position	Beneficial owner	1,135,714,285 *(Note 1)*	38.93
Hanny Magnetics	Long position	Interest of controlled corporation	1,135,714,285 *(Note 1)*	38.93
Hanny	Long position	Interest of controlled corporation	1,135,714,285 *(Note 1)*	38.93
Famex	Long position	Interest of controlled corporation	1,135,714,285 *(Note 1)*	38.93
Mankar	Long position	Interest of controlled corporation	1,135,714,285 *(Note 1)*	38.93
ITC Investment	Long position	Interest of controlled corporations	1,178,571,427 *(Note 1)*	40.40
ITC	Long position	Interest of controlled corporations	1,178,571,427 *(Note 1)*	40.40
Shepherd	Long position	Beneficial owner	200,016,234 *(Note 2)*	6.86
Stark Master	Long position	Beneficial owner	264,594,155	9.07
Stark HK	Long position	Investment manager	391,623,375 *(Note 2)*	13.43
Gandhara	Long position	Investment manager	357,142,857	12.24
Harmony	Long position	Beneficial owner	114,285,714	3.92

Notes:

1. As at the Latest Practicable Date, Hanny and Hanny Magnetics were taken to have an interest in 431,067,272 Shares (in which 391,067,272 Shares were held by Loyal Concept and 40,000,000 Shares were held by Cyber Generation Limited ("Cyber")); and a principal amount of HK$330 million under the 2005 August Note and a principal amount of HK$270 million under the 2006 June Note held by Loyal Concept since Loyal Concept and Cyber were wholly-owned subsidiaries of Hanny Magnetics which, in turn, was a wholly-owned subsidiary of Hanny, the issued shares of which are listed on the Stock Exchange. Selective Choice Investments Limited ("Selective"), a wholly-owned subsidiary of ITC Investment, owned a principal amount of HK$30 million under the 2006 June Note. Famex, a wholly-owned subsidiary of Mankar, was the controlling shareholder of Hanny. Mankar was a wholly-owned subsidiary of ITC Investment, which in turn was a wholly-owned subsidiary of ITC. Famex and Mankar were deemed to be interested in 431,067,272 Shares held by Loyal Concept and Cyber; and 1,135,714,285 underlying Shares held by Loyal Concept. ITC Investment and ITC were deemed to be interested in 431,067,272 Shares which were held by Loyal Concept and Cyber; and 1,135,714,285 underlying Shares (in respect of a principal amount of HK$330 million under the 2005 August Note and a principal amount of HK$270 million under the 2006 June Note) which were held by Loyal Concept and 42,857,142 underlying Shares (in respect of a principal amount of HK$30 million under the 2006 June Note) held by Selective.

2. As at the Latest Practicable Date, Stark HK was taken to have an interest as an investment manager in 214,252,725 Shares, a principal amount of HK$95 million under the 2005 August Note and a principal amount of HK$123 million under the 2006 June Note held by Centar Investments (Asia) Ltd., Shepherd, Stark Asia Master Fund, Ltd. and Stark International.

(iii) Other members of the Group

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons (not being a Director or chief executive of the Company) were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Name of subsidiary	**Name of shareholder**	**Approximate percentage of the existing issued share/ registered capital** *(%)*
廣州番禺蓮花山高爾夫球度假俱樂部 (Guangzhou Panyu Golf & Country Club)	廣州市番禺旅遊總公司	35
廣州市蓮翠房產物業管理有限公司 (Guangzhou Lian Chui Property Management Company Limited)	廣州市番禺旅遊總公司	35
番禺偉迪斯高爾夫房地產有限公司 (Pan Yu Wei Di Si Golf Property Company Limited)	廣州市番禺旅遊總公司	34.91
三亞亞龍灣風景高爾夫文化公園有限公司 (Sanya Yalong Bayview Golf Garden Co., Ltd.)	三亞博後經濟開發有限公司	20

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, no other persons (not being a Director or chief executive of the Company) had, or deemed to have, any interest or short positions in the shares or underlying shares which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, nor were there any persons, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital.

(c) Competing interests

As at the Latest Practicable Date, interests of the Directors and their respective associates in competing businesses were as follows:

Name of Director	Name of company	Nature of competing business	Nature of interest
Mr. Cheung	Wing On Travel (Holdings) Limited and its subsidiaries	Property business and hotel operation in Hong Kong and the PRC	As the managing director
	Manwide Holdings Limited (a non wholly-owned subsidiary of Hanny)	Property business in the PRC	As a director
	China Development Limited	Property investment in Hong Kong	As a director and shareholder
	Artnos Limited	Property investment in Hong Kong	As a director and shareholder
	Co-Forward Development Ltd.	Property investment in Hong Kong	As a director and shareholder
	Orient Centre Limited	Property investment in Hong Kong	As a shareholder
	Super Time Limited	Property investment in Hong Kong	As a director and shareholder
	Asia City Holdings Ltd.	Property investment in Hong Kong	As a director and shareholder

Name of Director	Name of company	Nature of competing business	Nature of interest
Mr. Cheung	Supreme Best Ltd.	Property investment in Hong Kong	As a shareholder
	Orient Holdings Limited	Property investment in Hong Kong	As a director and shareholder
Mr. Ho	Miramar Hotel and Investment Company, Limited and its subsidiaries	Property investment, property development and sales, and hotel operation	As a director
	Shun Tak Holdings Limited	Property investment in Macau	As an independent non-executive director
Mr. Lo	The Kwong Sang Hong International Limited and its subsidiaries	Property development, sales of properties and property leasing	As a director
	Mongolia Energy Corporation Limited and its subsidiaries	Property investment	As the chairman and an executive director
Mr. Wong	CNT Group Limited and its subsidiaries	Property investment and development in Hong Kong and the PRC	As an executive director

Mr. Cheung is the chairman of the Company who is principally responsible for the Group's strategic planning and management of the operations of the Board. His role is clearly separated from that of the managing Director, Mr. Chan, who is principally responsible for the Group's operation and business development. Mr. Ho and Mr. Lo, being non-executive Directors, and Mr. Wong, being an independent non-executive Director, do not participate in the daily management of the Group.

In addition, any significant business decision of the Group is to be determined by the Board. A Director who has interest in the subject matter being resolved will abstain from voting. In view of the above, the Board considers that the interests of Mr. Cheung, Mr. Ho, Mr. Lo and Mr. Wong in other companies will not prejudice their capacity as Directors nor compromise the interests of the Group and the Shareholders.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

(d) Other interests

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been since 31st March, 2007 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

Save as disclosed above, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the businesses of the Group.

3. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by the Group within the two years preceding the Latest Practicable Date and which are or may be material:

1. the sale and purchase agreement dated 2nd February, 2006 entered into between Green Label, Concord Link Development Limited, Magnum Company Limited and Mr. Ku Yuet Kan, Tony as vendors, New Smarten Limited, a wholly-owned subsidiary of the Company as purchaser, Mr. Lai and Mr. Chan Jink Chou, Eric as guarantors, in relation to the acquisition of the entire issued share capital of Everight Investment Limited ("Everight") and certain loans by the Group at a total consideration of HK$140 million;

2. the sale and purchase agreement dated 29th March, 2006 entered into between Pacific Wish Limited as vendor, and Million Orient Limited as purchaser, in relation to the acquisition of 40% of the issued share capital of Orient Town Limited at a total consideration of HK$280;

3. the conditional subscription agreement dated 27th April, 2006 entered into between the Company and Hanny as subscriber in relation to the subscription of a principal amount of HK$270 million under the 2006 June Note;

4. four conditional subscription agreements all dated 27th April, 2006 entered into between the Company and each of Centar Investments (Asia) Ltd., Shepherd, Stark Asia Master Fund, Ltd. and Stark International as subscribers in relation to the subscription of an aggregate of a principal amount of HK$123 million under the 2006 June Note;

5. the conditional subscription agreement dated 27th April, 2006 entered into between the Company and ITC as subscriber in relation to the subscription of a principal amount of HK$30 million under the 2006 June Note;

6. 11 conditional subscription agreements all dated 27th April, 2006 entered into between the Company and 11 subscribers which are funds managed by global asset management firms as subscribers in relation to the subscription of a principal amount of HK$577 million under the 2006 June Note;

7. the placing agreement dated 27th April, 2006 entered into between the Company and CLSA Limited as placing agent in relation to the placing of 833,332,000 new Shares at HK$0.60 per Share by the Company;

8. the subscription agreement dated 6th October, 2006 entered into among More Profit International Limited ("More Profit"), Dragon Rainbow Limited ("Dragon Rainbow"), Group Success International Limited ("Group Success"), Get Nice Holdings Limited and Mr. Cheung Chung Kiu in relation to the subscription of 4,000 shares in More Profit by Dragon Rainbow at a subscription price of US$1 per share;

9. the undertaking dated 6th October, 2006 entered into among Mr. Hung Hon Man, Dragon Rainbow and Group Success in relation to the subscription of 4,000 shares in More Profit by Dragon Rainbow;

10. the sale and purchase agreement dated 11th December, 2006 entered into between The First International Property Planning & Management Company Limited as vendor, and Hayton Limited, a wholly-owned subsidiary of the Company, as purchaser in relation to the acquisition of 44 residential units in Macau at a consideration of approximately HK$88.5 million;

11. the agreement dated 5th January, 2007 entered into between AIM Pacific Limited and Mr. Chang Rong Wu as vendors, Mr. Chan Jink Chou, Eric and Mr. Lai as guarantors, and Everight as purchaser in relation to the acquisition of the issued share capital of Braniff Developments Limited at a total consideration of approximately HK$98.1 million;

12. the agreement dated 5th January, 2007 entered into between Cheerview Development Limited as vendor, and Everight as purchaser in relation to the acquisition of 3.28% in the issued share capital of Donson (International) Development Limited ("Donson") at a consideration of HK$4.92 million;

13. the agreement dated 5th January, 2007 entered into between Great Honest Investment Limited as vendor and Everight as purchaser in relation to the acquisition of 7.59% in the issued share capital of Donson at a consideration of approximately HK$12.1 million;

14. the agreement dated 25th January, 2007 entered into between Forever Charm Group Limited as vendor and Top Century International Limited as purchaser in relation to the acquisition of 8.7% of the registered share capital of Empresa De Fomento Industrial E Comercial Concórdia, S.A. (聯生發展股份有限公司) at a total consideration of HK$245.7 million;

15. the Agreement;

16. the sale and purchase agreements dated 9th May, 2007 entered into between six individual Macau residents as vendors and Smarteam Limited as purchaser in relation to the acquisitions of the 18 residential units and 18 car parking spaces in Ilha da Taipa, junto à Estrada Nordeste da Taipa Aterro da Baía de Pac On, Macau (澳門氹仔北安灣P05地段海明灣畔1座), registered with the Real Estate Registry of Macau under no. 22143 at an aggregate consideration of HK$118,592,800;

17. the placing and subscription agreement dated 18th May, 2007 entered into among Loyal Concept as vendor, the Company and Kingston Securities Limited as placing agent in relation to the top-up placing of 300,000,000 Shares at HK$0.56 per Share; and

18. the agreement dated 26th June, 2007 entered into among Macau Prime Property (Macau) Limited and the Company as vendors, Gainventure Holdings Limited as purchaser and Get Nice Holdings Limited as warrantor of the purchaser in relation to the disposal of the entire issued capital of, and loan to, Dragon Rainbow at a consideration of HK$350 million.

4. CLAIMS AND LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion or advice which is contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu ("DTT")	Certified public accountants

DTT has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, DTT did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, DTT did not have any direct or indirect interests in any assets which had been, since 31st March, 2007 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 29/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong, from the date of this circular and up to and including the date of the SGM:

– the memorandum and bye-laws of the Company;

– the material contracts referred to in the section headed "Material contracts" in this appendix;

– the published audited consolidated financial statements of the Company for each of the two years ended 31st March, 2007;

– the accountants' report on the Group, the text of which is set out in Appendix I to this circular;

– the accountants' report on the unaudited pro forma financial information on the Remaining Group, the text of which is set out in Appendix II to this circular;

– the statement of adjustments in connection with the preparation of the accountants' report on the Group;

– the letter of consent referred to in the section headed "Expert and consent" in this appendix; and

– the circular of the Company dated 29th May, 2007 in respect of the acquisition of 18 residential units and 18 car parking spaces in Macau.

8. MISCELLANEOUS

– The qualified accountant of the Company is Mr. Cheung Chi Kit, *CPA, ACS, ACIS*.

– The company secretary of the Company is Ms. Yan Ha Hung, Loucia, *MBA, ACS(PE), ACIS(PE)*.

– The registered office of the Company is at Clarendon House, Church Street, Hamilton HM 11, Bermuda.

– The Company's principal place of business in Hong Kong is situated at 29/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

- The branch share registrar and transfer office of the Company in Hong Kong is Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- The English texts of this circular, the notice of the SGM and the accompanying form of proxy prevail over their respective Chinese texts.

澳門祥泰地產集團有限公司*

MACAU PRIME PROPERTIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 199)

NOTICE IS HEREBY GIVEN that a special general meeting of Macau Prime Properties Holdings Limited (the "Company") will be held on Wednesday, 25th July, 2007 at 11:00 a.m. at Conference Room, 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong, for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) the entering into of the conditional agreement for sale and purchase dated 27th February, 2007 as supplemented by a supplemental agreement dated 26th June, 2007 (the "Agreement"), copies of which have been produced to the meeting marked "A" and initialled by the chairman of the meeting for the purpose of identification, between Macau Prime (B.V.I.) Limited ("MPBVI"), a wholly-owned subsidiary of the Company, as vendor and Master Journal Limited (the "Purchaser") as purchaser, whereby MPBVI has conditionally agreed to sell and assign, and the Purchaser has conditionally agreed to purchase and accept the assignment of, the entire issued share capital of Tung Fong Hung Investment Limited ("TFH") beneficially owned by MPBVI, and the entire amount of the interest-free shareholder's loan owing by TFH to MPBVI, at an aggregate consideration of HK$110 million, upon the terms and subject to the conditions therein contained, be and is hereby approved, confirmed and ratified and the transactions contemplated under the Agreement be and are hereby approved; and

(b) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all acts and things and execute and deliver all documents whether under the common seal of the Company or otherwise as may be necessary, desirable or expedient to carry out or to give effect to any or all transactions contemplated under the Agreement."

Yours faithfully,
By order of the Board
Macau Prime Properties Holdings Limited
Yan Ha Hung, Loucia
Company Secretary

Hong Kong, 9th July, 2007

* *For identification purpose only*

Registered office:
Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:
29/F., Paul Y. Centre
51 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Notes:

(1) A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote on his behalf, and such proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed.

(2) In order to be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or other authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.

(3) Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the meeting convened or any adjournment thereof and in such event, the instrument appointing the proxy shall be deemed to have been revoked.

(4) In case of joint holders of any share of the Company, if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date of this notice, the directors of the Company are as follows:

Executive directors:
Mr. Cheung Hon Kit *(Chairman)*
Mr. Chan Fut Yan *(Managing Director)*
Mr. Wong Kam Cheong, Stanley *(Deputy Managing Director)*
Mr. Cheung Chi Kit
Mr. Lai Tsan Tung, David
Mr. Ma Chi Kong, Karl

Non-executive directors:
Mr. Ho Hau Chong, Norman *(Deputy Chairman)*
Mr. Lo Lin Shing, Simon

Independent non-executive directors:
Mr. Wong Chi Keung, Alvin
Mr. Kwok Ka Lap, Alva
Mr. Chui Sai Cheong